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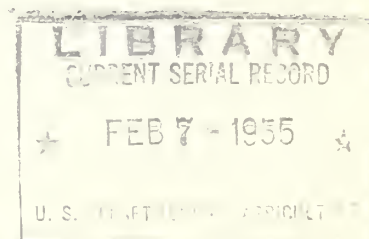
UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D. C.

FATP 1-55

JANUARY 13, 1955

FOR P.M. RELEASE JANUARY 17, 1955

WORLD AGRICULTURAL SITUATION 1955



UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON 25. D. C.

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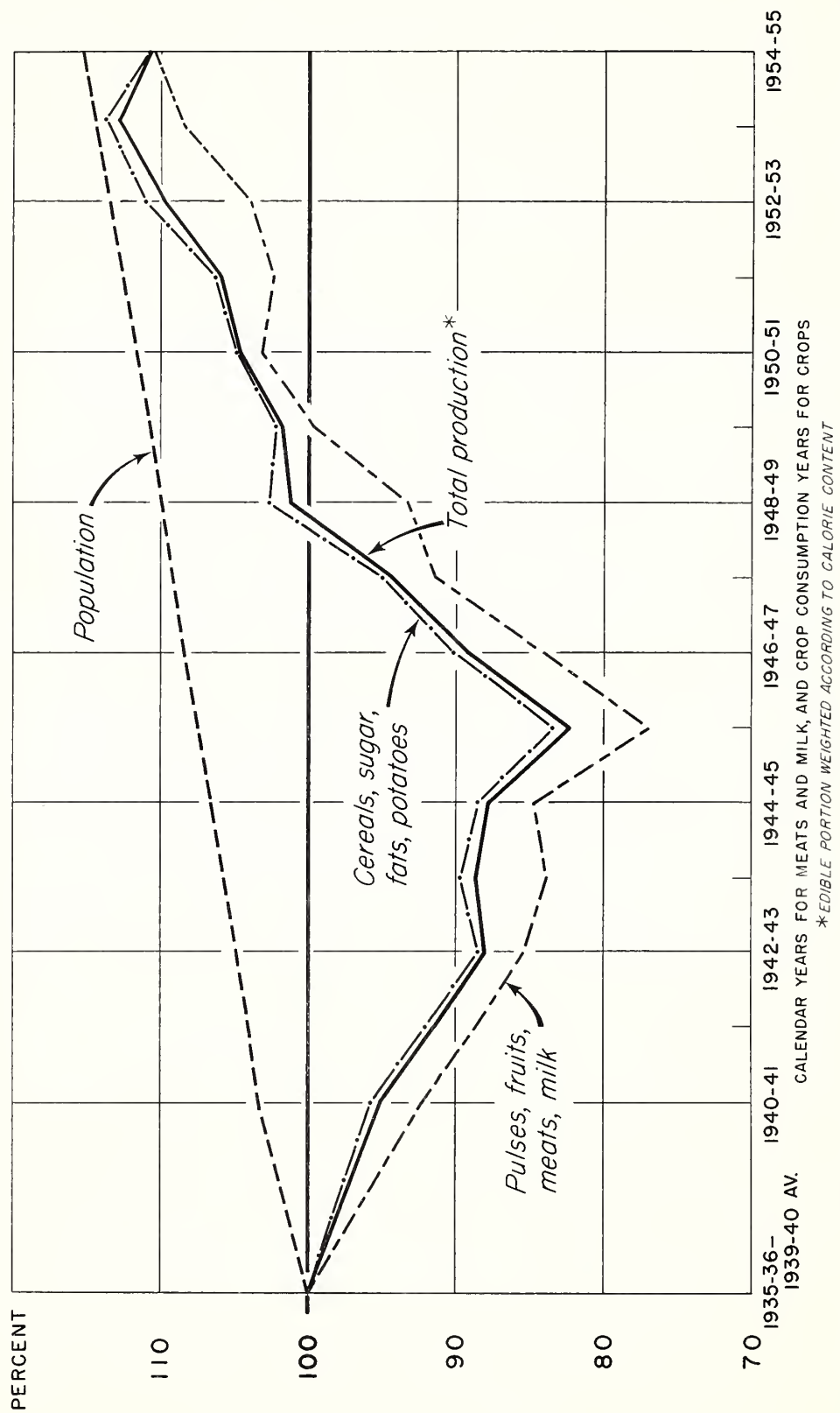
F O R E W O R D

In this 1955 agricultural situation attention is focussed upon the supplies of food and other products which are available for consumption until the harvests of 1955-56 are gathered. It is not an inventory of supplies available as of January 1, 1955. Rather, the beginning date of the new year depends upon the commodity. Thus for wheat, the year begins on July 1, 1954 and ends on June 30, 1955; for meat and milk the year begins January 1, 1955 and ends on December 31, 1955. The intention of the report is to summarize the over-all degree to which the agricultural producers of the world have accomplished the task of providing food and other requisites of life for the population at large.

An attempt has been made to point up some of the problems of distribution with which the world is faced in connection with making available to consumers the fruits of the efforts of the farmers of the world. The 1955 agricultural situation indicates that progress has been made in facilitating this distribution, partly through the improvement in economic conditions in many parts of the world and partly through Governmental actions on the part of the United States and other nations.

WORLD PRODUCTION OF SELECTED FOOD PRODUCTS IN RELATION TO WORLD POPULATION TRENDS 1935/36 - 1954/55

(1935 - 39 = 100)



WORLD AGRICULTURAL SITUATION

1954-1955

SUMMARY -

The world output of agricultural products during 1954-55 appears to be almost as large as the record output of the previous year, according to a world-wide survey just completed by the Foreign Agricultural Service of the United States Department of Agriculture. World crop production in the current year, due largely to the smaller output in North America and Asia, is indicated to be nearly 2 percent below the 1953-54 output, but the production of livestock products has continued to new high levels and the increases nearly offset the decline in crop output.

The large production of 1954-55 following the record output of the previous season has resulted in substantial increases in carry-over stocks of several staple agricultural commodities, particularly wheat, sugar, cotton, and rice. These increases in carry-over stocks more than offset the decline in production and total supplies of agricultural products for the 1954-55 season are at record levels.

Marketing Problems

The continued large supplies of agricultural products have led to serious marketing problems in several surplus producing countries of the world and various steps have been taken to increase consumption or bring production more in line with probable world consumption and to expand exports.

A few countries have adopted programs for reducing the area devoted to crops for which there are large carry-overs; others are shifting from these commodities to others which may have more favorable market outlets. During 1954, for example, there was a noticeable shift in the world's crop area from foodgrains to cotton, tobacco, and feed crops, and additional similar shifts appear likely in 1955. Several countries have encouraged exports in various ways during the past year in an effort to reduce their carry-over of agricultural products; some have reduced prices or subsidized exports; some have cut export taxes; others have attempted to work out barter or bi-lateral agreements with their principal foreign suppliers. These efforts have resulted in some countries moving a part of their agricultural surpluses into marketing channels but world stocks generally have continued to expand. Major obstacles to the expansion in world trade, however, have been the general inelasticity of demand for many agricultural products and the continued efforts on the part of importing countries to expand their agricultural output in order to become more self-sufficient or to conserve their foreign exchange for non-agricultural products.

Price Stability

Despite the marked expansion in agricultural supplies, world prices for agricultural products have remained relatively stable, partly because of the

Table 1: World Production of Selected Agricultural Products, Averages
1935-39 and 1945-49, Annual 1952-54

Commodity	Unit	Averages		Annual		
		1935-39	1945-49	1952	1953	1954
			Millions			
Food products:						
Rice, milled	:Short tons:	117.2:	114.3:	124.9:	131.7:	127.7
Wheat	:Bushels	6,025	5,840	7,280	7,260	6,790
Rye	: "	1,732	1,525	1,600	1,490	1,525
Sugar,centrifugal	:Short tons:	28.5:	27.4:	36.1:	40.2:	39.2
Sugar,noncentrifugal	: " "	5.4:	6.0:	6.6:	6.3:	6.6
Vegetable oils,						
edible	: " "	7.1:	7.3:	8.0:	8.9:	8.6
Coconut and palm oils:	: " "	3.6:	3.1:	3.8:	3.8:	4.0
Animal fats	: " "	9.0:	8.1:	10.0:	10.2:	10.3
Marine oils	: " "	1.1:	0.6:	1.0:	0.9:	1.0
Potatoes	:Bushels	8,366	7,679	8,019	8,261	8,540
Pulses <u>2/</u>	:Bags <u>3/</u>	175.8:	181.7:	173.0:	208.2:	213.1
Deciduous fruits <u>4/</u>	:Short tons:	62.7:	55.7:	64.4:	59.2:	63.9
Citrus fruits	: " "	9.8:	12.7:	14.5:	15.8:	15.2
Meat	:Pounds	5/68,000	6/67,000	77,400	80,400	82,700
Milk	: "	5/501,000	450,000	500,200	522,700	529,200
Eggs <u>2a/</u>	:Number	89,700	106,900	127,600	130,200	134,900
Coffee	:Bags <u>7/</u>	41.6:		40.3:	41.7:	41.8
Cacao	:Pounds	1,579		1,663	1,586	1,782
Food Index <u>8/</u>		100	95.0	109.8	113.0	110.8
Feed products:						
Corn	:Bushels	4,760	5,280	5,640	5,730	5,500
Oats	: "	4,365	3,930	4,190	4,155	4,400
Barley	: "	2,365	2,170	2,745	2,755	2,825
Industrial raw materials:						
Cotton	:Bales	31.7:	25.7:	35.7:	37.9:	34.7
Wool	:Pounds	9/ 3,930	3,840	4,330	4,351	4,427
Tobacco	: "	10/6,519		7,230	7,466	7,755
Industrial oils	:Short tons:	2.9:	3.0:	3.3:	3.1:	3.1

1/ Includes China, North Korea and U.S.S.R. 2/ Haricot beans, peas, lentils, chickpeas (garbanzos) 2a/ production in principal countries. 3/ Bags of 100 pounds each. 4/ Includes apples, pears, peaches, apricots, cherries, plums, prunes, grapes and pineapples. 5/ 1934-38. 6/ 1946-50. 7/ Bags of 132.276 pounds each. 8/ Edible portions of above products combined on the basis of caloric content. 9/ 1936-40. 10/ Calendar year.

Source: Foreign Agricultural Service, U.S.D.A.

continued high level of demand, and partly because of the world-wide tendency of governments to conduct programs protecting agricultural producers from the hardships resulting from marked declines in farm prices. During the early months of 1954 some price weakness was apparent but in recent months world prices of most farm products have been relatively stable. This stability is supported by the general outlook that the combined efforts to shift production where possible, and to expand consumption and trade, as well as the continued high level of demand and expanding population will gradually absorb the large supplies of farm products now available.

2 Percent Food Production Drop Calorie-wise

The world production of major food products during 1954-55, measured in terms of calories, is about 2 percent below the record of 1953-54 (See table 1 and figure 1). However, this decline is more than offset by larger carry-overs of wheat, sugar, rice, and dairy products bringing total food supplies above last year and per capita supplies almost to last years levels. During 1953-54 per capita consumption of food products made significant increases in many parts of the world and the large supplies available for the current year will permit a continuation of this upward trend in food production.

Financial Improvement

The financial position of important foreign countries has improved considerably in recent years. Foreign-held gold and dollar reserves have increased by about \$9 billion since 1949. As a result several Western European countries have taken steps preliminary to, but still short of, a restoration of currency convertibility. Dollar import controls have been relaxed by a number of countries. United States agricultural products have, in some instances, benefited from such relaxation. Most countries are, however, maintaining extensive controls over agricultural imports, and many of them still restrict agricultural imports from the dollar area more than those from other areas.

In a number of Latin American countries opportunities for United States exports are hampered by recent substantial increases in cost of living which make trade uncertain because of consumers' inability to purchase. This situation exists in a few countries in the Middle East and Asia though by and large in most of these areas limited changes in the cost of living have taken place.

Regional Summary

The first decrease in 9 years in over-all world agricultural production occurred as the upward sweep of North American production faltered and lost ground, while the output of the Middle East and Asia failed to maintain the recovery of recent years. Meanwhile Western Europe, Eastern Europe and the Soviet Union showed little quantitative change from the 1953-54 production pace. South America showed an increase but of insufficient size to offset decreases elsewhere.

In the United States total 1954-55 crop output was down 3 percent, as acreage of wheat, cotton and corn was curtailed and a serious drought cut output in a group of southern states. Livestock production, however, reached a new high record and is expected to continue large for several years. The adverse harvest season seriously reduced the total Canadian output, with rust and adverse weather cutting in half the expected wheat crop and seriously damaging other grains.

Agricultural production in Western Europe was not quite as favorable as in 1953. Quantitatively there was an overall gain in output, but quality of grains was reduced by rains and storm at harvest time. Sugar production was lower and it was an off year for olive oil. Potato production was up 4 percent. There were more livestock of all kinds on farms and meat production increased. Economic expansion continued with increased exports and stepped-up building activity. Interest rates are down and currency reserves up. Tax reductions have made more income available for consumer goods. Relaxations in import controls have made numerous changes in government policies encouraging freer markets for agricultural production although farm protectionist movements continue strong. It seems likely that imports of overseas wheat will be larger than in the preceding year. Requirements for feedgrains, vegetable oils and seed oils should encourage imports and more tobacco leaf and cotton probably will be imported.

Recent developments in France point to more aggressive economic policies which might well lead to re-establishment of that country as an exporter of wheat, sugar and meat. Trade liberalization in Europe, including imports from the dollar areas made further progress in 1954 though it lagged behind the potential of improved foreign balances.

USSR Acreage Expansion: In 1954 the Soviet Union began a program of acreage expansion, but production differed little from the level of 1953 except for cotton, the production of which appears to have been larger. There still is little improvement in livestock production, the weak link in Russian agriculture. The drive for expansion of crop acreage may have cut the area in perennial grasses and worked against needed expansion in livestock numbers. Government policy during 1954 apparently shifted to favoring expansion of consumption of agricultural products.

The Soviet Union imported considerable amounts of food, as did other Eastern European countries which appear to have had an even less successful agricultural outturn in 1954 than in the low year of 1953. The increasing demand from USSR and other Eastern European countries for fats and oils, meat, cheese, fruits, cotton, tobacco and even grain is likely to continue on an even larger scale in 1955. This movement is in line with the policy change to permit some increase in consumption at the expense of greatly emphasized investment.

Latin American Output Rises: In Latin America, agricultural production for 1954-55 is forecast at three percent higher than in the preceding year. Imports into the United States from that area are expected to reach the total of last year, and exports of agricultural products to that area probably

will equal the value of those in calendar 1953. With no increase anticipated in the dollar income from sugar and with increasing supplies of domestic food, Cuba may take slightly less agricultural imports from the United States, but Venezuela may increase its takings slightly. Both countries are excellent markets for wheat and flour, milk products, and fats and oils.

The outlook for Mexican agricultural production is considerably improved over that of a year earlier so that Mexico will need smaller quantities of corn, beans, and wheat from the United States. Production of crops for export are also expected to be higher, thus promising an improved balance of trade for that country. It is hoped that this will lead to some relaxation of the tight import controls currently in effect on fats and oils and dairy products.

The already tight foreign exchange situation in Brazil has become worse in recent months with declining prices and exports of coffee. No increase is anticipated in United States exports of dairy products and fruit, but substantial sales of wheat and/or flour, Brazil's principal agricultural import items, can be expected.

Agricultural production in Asia and the Middle East declined in 1954-55, the decrease taking place largely in India and Turkey. It was offset only in part by substantial increases in Japan and slight increases in a number of other countries. The foodgrain deficit for the area appears to be about 9 million tons of wheat, wheat flour, barley and rice. On the other hand there is a surplus of about 5 million tons of rice, principally in Burma and Thailand. Because of some carryover of rice from the previous year food consumption per capita probably will improve slightly from the preceding year.

Western, Central and Southern African agricultural production in 1954-55 seems certain to be the largest in any of the postwar years, following another good outturn in 1953-54. With larger supplies of home-grown foods and increased exports at favorable prices, particularly of coffee and cocoa, the area, particularly British West Africa, presents an improved market for consumers goods such as flour, dairy products, canned meat and tobacco.

Oceania

Crop production in Oceania in 1954-55 is expected to be below the preceding year, except for dried fruit. Livestock production should continue large. Australia will remain a major wheat exporter, as production plus stocks are above the previous year's supply. Both countries are adjusting their production and marketing programs to make them more flexible in competing on world markets.

Commodity Summary

World grain production was somewhat below 1953-54, but on a high level. Wheat and corn were well above average. The barley crop was a record one and oats and rye were close to record. The rice crop was at least 2 percent below the record crop of the preceding year. Wheat supplies in the four major exporting countries on October 1, 1954 were close to 2 billion bushels, 1

percent above a year earlier. More wheat should move in international trade because much of the Western European wheat is of lower quality and will need to be diverted to feed use. Turkey, which was an important exporter for several years, will need to import wheat in 1954-55.

Feedgrain production in the importing area of Western Europe is 7 percent less than in 1953-54. To maintain its livestock production, the area will need to import as much, if not more, feedgrains in the current year. However, more rain-damaged wheat and rye will be available for livestock use. Rice supplies are ample to meet effective export needs. International trade in rice was held down in 1953 by high prices and 1954 movement appears certain to be larger, perhaps by as much as 8 percent. Exportable supplies for 1955 are the largest in years.

Production of fats and oils is about the same as in 1953. Supplies available for utilization are lower as a result of stock reductions, particularly in Argentina and the United States. Edible vegetable oils for consumption in 1955 are 4 percent below the preceding year, principally because of the smaller olive crop in the Mediterranean Basin. Cottonseed oil from 1954-55 production will be smaller because of the short United States crop. On the other hand soybeans have set another record as both United States and China-Manchurian crops were large. The sunflower seed crop is the smallest of any postwar year, but peanuts available for oil are above 1953 and the palm group of oils has been augmented by an especially favorable outturn in the Belgian Congo and the Philippines. Animal fats are up slightly with moderate increases in butter, tallow and grease, and little change in lard. (Exports of fats and oils from the United States continue at record levels.) The demand for fats and oils is expected to remain strong, particularly in Europe. Exports of soybeans are expected to reach a new peak in 1955.

World production of centrifugal sugar at 39 million tons is the second largest crop ever produced. Consumption approximates 38 million tons and it appears that another million tons will be added to the already large stocks. Every major source of U. S. supply, domestic and foreign, is in a position to fulfill its quota. Cuba again held down production in 1954. During the year the International Sugar Council took vigorous action to hold prices to the agreed upon minimum. Cuba is expected to restrict production again in 1955.

Potato production in North America and Western Europe is lower than in 1953 and about in line with normal utilization, with some potatoes moving from the United States to Canada. The Western European crop is 4 percent larger but because of excessive rain and wet weather during the harvesting period there may be above-average storage losses. Definite information is lacking for Eastern Europe and the Soviet Union, but reports on weather there indicate that the potato production there also may be large but low in quantity.

Production of dry edible beans in the important producing countries of the world was about 4 percent above 1953-54 and 14 percent larger than the prewar average. The Western European crop was sufficiently reduced in quantity to indicate the possibility of increased imports from the United States during the coming season. The pea crop was 3 percent larger and garbanzos 13 percent.

During 1954 meat animals continued the expansion in numbers from the low point reached at the close of World War II. During recent years pasture and feed supplies have averaged above normal and there has been a strong demand for meat and dairy products. Numbers of cattle and sheep continued to increase; hog numbers turned upward in the United States and other important producing countries during 1954. Dairy as well as beef cattle numbers have trended upward and the increased efficiency in poultry production has made a substantial contribution to protein food available for human consumption. Meat production appears to have increased to about 4 percent above 1953, and per capita consumption apparently is equal to prewar. It is expected that in 1955 the outturn of meat will exceed 1954. Surplus meat producing countries may have more meat for exporting in 1955 because of the increased production and increased domestic supplies. Imports by the United Kingdom, the largest importer, are likely to continue large, despite increased home production. The United States and Western Germany, the other large importers, will be in the market for relatively large supplies even though their home production continues large.

Current information points to milk production in 1954 slightly above the 1953 outturn of 523 billion pounds in the important milk producing countries in the world, and prospects are that somewhat larger production will take place in 1955. Per capita milk consumption has not changed materially but the downward trend of prices has encouraged increased use of butter and cheese.

Cocoa production made a substantial recovery in 1954 in spite of continued inroads of plant disease and insects in African groves. New plantings are being made and future supplies should show further increases. Coffee production is recovering from the severe freeze in July 1953 in Brazil. High prices have stimulated new plantings and the outlook is for more ample supplies within a very few years.

Of the non-food items, cotton production in 1954-55 of 34.7 million bales is below 1953-54 by 2.2 million bales due entirely to U. S. acreage restrictions and marketing quotas. World consumption is expected to equal or slightly exceed the record 35 million bales used in 1953-54. Foreign stocks of cotton were used up during the year and at the beginning of the 1954-55 season the United States had most of the surplus. The outlook for United States exports during 1954-55 is favorable because of minimum stocks in consuming centers, the competitive nature of United States prices, and favorable dollar reserves in Europe, the principal cotton consuming area.

Wool production and consumption have been nearly in balance for a number of postwar years. Production continues at a high level, consumption fell off in 1954 and prices weakened in the September-November period when Australian auctions brought new-crop wool into the market. In view of the increasing availability of other fibers, it appears that adequate supplies of apparel fibers will be available during 1955 at reasonable prices, to meet the expanding world needs.

Jute production is at a low level following drastic price declines of several years ago. Henequen and abaca production also has fallen off during the post-Korean war period. Production of sisal, on the other hand, has increased steadily.

Tobacco production in 1954-55 was 4 percent above the preceding year. Stocks are believed to have increased only slightly during 1954, since tobacco consumption continues its upward trend because of the improved economic conditions in many parts of the world and the increase in the adult population. The consumption of tobacco is responsive to adjustments in economic activity and in 1954-55 expected economic improvement probably will result in increased tobacco consumption.

SITUATION BY COUNTRIES

CANADA

In Canada an adverse 1954 crop season resulted in greatly curtailed production of its major grain crops. With large carry-in stocks of wheat and feedgrains, however, and increased exportable surpluses of livestock products, Canadian agricultural exports in 1955 may be above the 1954 level.

Production:

Production of wheat in Canada in 1954 is estimated at 300 million bushels, less than half either the 1953 or 1952 crop, and far below the average of 460 million bushels produced in the preceding ten years. This low production was caused by the worst rust epidemic on record in the Prairie Provinces, extensive damage by sawflies, and adverse weather conditions, including flooding, hail, frost, wind, and snow. Estimates indicate only 41 percent of the total crop will grade No. 1 to 4 Northern, and 55 percent or more will fall in grades 5, 6 and feed wheat. Carry-in stocks of wheat as of August 1, 1954, were 587 million bushels, most of which is of high quality wheat.

Production of oats for grain is estimated at 23 percent below 1953, barley one-third less than in 1953, and rye slightly less than half that of 1953. Production of soybeans and corn set new records.

The apple crop of 14.1 million bushels is 20 percent above 1953, but other fruit crops were below. Potato production, of 50.5 million bushels, is one-third less than in 1953. Sugar beet production of 954,000 tons, on the other hand, is the fourth largest on record, and above 1953.

Livestock:

Cattle numbers were maintained at high levels, and a sharp increase in the size of the 1954 pig crop was reflected in the November and December increased pork supplies for home use and for export. The overall domestic disappearance of meats in Canada was increased 6 percent over 1953 as a result of record beef consumption, though pork consumption was down.

The number of milk cows in Canada continued to increase in the spring of 1954, and total milk production was estimated at 16.9 billion lbs. 3 percent above 1953. Butter production was 3.8 percent greater, and stocks at the end of 1954 were 20 percent higher. Cheese production in 1954 was increased 10 percent above 1953, and stocks rose 24 percent higher than at the end of 1953. Canned milk and dried skim milk production was approximately the same as 1953, but dried whole milk production probably was 5 percent less.

Trade Outlook:

Canada with its carry-in stock of millable wheat will likely continue to be the world's leading exporter of bread grains in the year 1955. Furthermore, the carry-in stocks of feedgrains are expected to be adequate, together with 1954 output, to permit continued high level production of beef, dairy products and hogs, and permit normal exports of oats and barley to the United States. Besides the necessary supply of meat and dairy products for home use, greater quantities of these products are expected to be available for export in 1955 than during recent years. Continued high level industrial activity in Canada should increase the already large Canadian market for U.S. agricultural products. The modernization of wholesale and retail distribution outlets in Canada, in the more prosperous rural as well as the industrial areas, is facilitating packaging and distribution of high quality horticultural products grown domestically in the United States.

UNITED STATES 1/

Agricultural production in the United States in 1954 was at record levels and about half greater than the prewar (1935-39) average. Stocks of agricultural commodities at the end of 1954 were larger than at the beginning of the year, even though domestic utilization and exports increased.

Because of increasing supplies of several major agricultural products, steps were taken in 1954 to bring supplies in the United States more in line with prospective domestic utilization and export outlets. Some of these steps sought to reduce new crop supplies; others sought to expand domestic consumption and exports. Marketing quotas were reimposed on the 1954 crops of wheat and cotton at the minimum levels authorized by law, and acreage allotments in the commercial corn-producing area. The price support level on milk and butterfat for the 1954-55 marketing year was reduced from 90 to 75 percent of parity, the minimum authorized by law.

Market Promotion: The Agricultural Trade Development and Assistance Act of 1954 (Public Law 480) provides a means whereby surplus agricultural commodities in excess of usual marketings can be sold through private trade channels for foreign currencies in a way which would expand international trade between the United States and friendly nations and make use of surplus agricultural commodities in furtherance of United States foreign policy. The law also provides for grants of agricultural commodities to meet famine and other relief requirements in foreign countries. Contributing also to the utilization of agricultural surpluses. Commodity Credit Corporation stocks are being made available for export at prices competitive with world market prices.

1/ Prepared by the Agricultural Marketing Service and the Commodity Stabilization Service.

Legislation permitting donations of CCC stocks of food products through non-profit voluntary agencies for relief purposes (section 416, Agricultural Act of 1949) was amended to permit payment of domestic transportation, repackaging, and certain other handling charges. Under this revised legislation substantial quantities of agricultural commodities, especially dairy products, are now moving through donation for domestic and overseas use.

United States food supplies continued at record levels in 1954. Imports and substantial stocks at the beginning of the year supplemented large domestic production. The increase in food output over 1953, however, was not large, as the increase in output of livestock products barely offset the decline in food crops. Retail food prices were close to those for 1953 despite the record large supply, reflecting the continuation of a high level of consumer demand for food. In 1955 average food prices at retail are expected to be close to those of 1954.

Per Capita Food Consumption High: Civilian consumption of food per person in the United States in 1954 was near record in size, close to that of the preceding year and about an eighth above the prewar average annual rate. The amount of food consumed per capita in 1954 included a little more poultry, eggs, frozen fruits and vegetables, and dried peas than in 1953, but less rice, fresh and canned fruits and vegetables, and sweetpotatoes. Civilians used about as much meat, dairy products, food fats and oils, potatoes, and sugar per person as in 1953.

Production of grains in 1954 was a little lower than that of a year earlier, but with the very heavy carry-in, supplies in 1954-55 are somewhat larger than in 1953-54 and more than sufficient to meet anticipated domestic needs and exports. The 1954 wheat crop was 17 percent smaller than in 1953 and that of corn was down 7 percent. The rice crop set a new record and the crops of barley, oats, and rye were substantially above those of 1953.

Supplies of food fats and oils will also be at a peak during the 1954-55 marketing year. Production will be up, with lard and soybean oil output a little more than offsetting declines in prospect for butter and cottonseed oil. In addition carry-over stocks, mainly butter and cottonseed oil, owned by the Government, were about as large as the record stocks at the beginning of the 1953-54 marketing season.

Supplies of dry edible beans and peas during 1954-55 are up from a year earlier mainly because of the larger total 1954 crops. However, some classes of beans, such as white, are in short supply whereas other classes are in adequate to heavy supply. Furthermore, the heavy export demand for peas early in the season has put them in relatively short position despite large supplies.

Cotton supplies for 1954-55 are the largest since 1942-43. The 1954 crop was 18 per cent smaller than a year earlier, but the old-crop carry-over -- the heaviest since 1945 -- was sufficiently above the preceding season's to more than offset the decline in output. Domestic utilization of cotton in 1954-55 is expected to exceed that of the preceding year and exports may be the highest in the 3 past seasons and exceed by around 20 percent the volume

shipped abroad in 1953-54. In that event the carry-over at the end of the current marketing year would not differ substantially from that of August 1, 1954.

Meat supplies in 1955 are likely to be at record levels and will continue to include a high proportion of beef for the third consecutive year. More pork and veal will be available than in 1954, but supplies of lamb and mutton will be down somewhat. Output of beef is likely to be about the same.

The large number of chickens on farms assure continued very large supplies of eggs and chicken meat well into 1955.

Record large supplies of dairy products are in prospect for 1955. Milk production is expected to be close to that of 1954, and total stocks of manufactured dairy products at the beginning of 1955 are somewhat larger than a year earlier. Little change appears likely in the per capita rate of consumption of dairy products, but the increasing size of the United States population will bring total domestic use into somewhat better balance with milk production in 1955 than it has been in the past 2 years.

Less fresh fruits and vegetables, potatoes and sweet potatoes will be available during the early months of 1955 than a year earlier. For the processed fruits and vegetables, supplies through the remainder of 1954-55 marketing year will be smaller than in the same part of 1953-54 but sufficient to maintain consumption of these products by civilians at a high rate per person.

LATIN AMERICA

Agricultural production in Latin America as a whole in 1954-55 is expected to be at least 3 percent higher than that of the previous year, but only slightly higher on a per capita basis. Agricultural exports from the United States to this area in the fiscal year 1954-55 may be approximately equal in value to the calendar year 1953 exports of .423 million.

Latin America supplies the United States with more agricultural products than any other area of the world. During the 1954-55 year United States imports of products such as coffee, bananas, and cacao, may be valued at least as high as in 1953, when the total was valued at .2,273 million, of which \$1,598 million represented products of complementary nature.

Venezuela, Colombia, and Ecuador, the Caribbean Islands, Mexico, and Central America are markets for United States wheat and flour, fats and oils, dairy products, pork, poultry and eggs. In 1953 the principal markets for United States agricultural products were Cuba, Mexico and Venezuela, in that order. By and large, the rest of South America produces, or obtains from nearby countries, the principal part of its basic food needs. This situation is expected to continue through the coming year, although the United States may be expected to supply substantial quantities of wheat, dairy products, vegetable oils, and cotton to several of these southern countries.

Cuba: Supplies of foodstuffs from domestic production in Cuba are expected to be at least as large in 1954-55 as during the past year, and may be even greater. Corn production will be larger, but will not reach the record 8,900,000 bushels produced in 1948. Rice, the principal item of diet and the major import, continues to be grown in increasing quantity and domestic output now supplies about one-quarter of total consumption.

Imports of rice, which come almost exclusively from the United States, are not expected to be as large in the coming year as they were in 1953-54 when they reached 518 million pounds. This is due to increasing domestic production, larger carry-over stocks, reduced purchasing power of Cuba resulting from diminished exports of sugar. Rice imports July 1 through October 15, 1954 were 37 percent below the same period a year ago. Imports of wheat flour should be close to the 176 million pounds of 1953-54, but considerably below that of 1951 when 345 million pounds were imported. This is in addition to expected imports of 2.9 million bushels of wheat as grain.

Cuba's 1954 sugar crop of 5.4 million short tons was slightly less than that authorized by Cuban law; it was the second crop where harvesting was restricted by official decree, following the bumper harvest of 8.0 million short tons in 1952. Stocks of sugar on hand as of December 31, 1954, probably will exceed those of a year earlier. The quantity of sugar for harvest in 1955, therefore, is expected to be reduced below the level of the preceding year to not more than 5.0 million tons.

Reduced sales of sugar to Europe during recent months and a high general level of imports may help to produce an unfavorable balance of payments for Cuba for 1954. In an attempt to offset this, Cuba is reported to have worked out a barter deal with Germany involving sugar in addition to that specified in the bilateral trade agreement with that country.

Cuba is expected to continue as the principal market for United States agricultural exports in Latin America during 1954-55 although the total value of those exports may decline somewhat from the previous year.

West Indies: British West Indies, British Guiana, British Honduras, Bahamas and Bermuda, as well as the French and Dutch areas, continue to be substantial importers of dairy products, flour, canned, fresh and pickled meats, and fish, because of inability to supply their requirements from domestic production. Sugar is the most important crop of the area and bananas second. British Guiana and Surinam are increasing and improving their rice production; at the same time British Guiana has entered into contracts with Jamaica and other British areas in the West Indies to supply a substantial portion of their import requirements. Jamaica has recently placed in operation a 12,000-ton annual capacity rice-drying mill and is expanding its production. However, it does not yet have sufficient production to operate the new mill at capacity.

Jamaica's condensed milk plant is now producing the equivalent of 31,000,000 pounds of milk, which exceeds its present requirements. However, it finds it necessary to import most of its butter, cheese and other dairy products.

Jamaica, British Honduras, Trinidad and Dominica have substantially increased their production of citrus since 1950, particularly of grapefruit. This is exported chiefly in the form of canned grapefruit segments, juice and orange concentrate to the United Kingdom. The orange concentrate from Jamaica and British Honduras is produced under a 10-year contract with the British Ministry of Food, expiring in 1959.

Banana production in Jamaica for export to the United Kingdom has fully recovered from the 1951 hurricane. Sugar is produced chiefly for marketing under the Commonwealth Sugar Agreement in the United Kingdom and Canada. Jamaica has been producing sugar in 1953 and 1954 in excess of its quota, but approximately 40,000 tons of excess production for 1954 will be bought by the United Kingdom and Canada at world market prices.

Mexico: Mexico's agricultural outlook for 1954-55 is greatly improved over that of 1953-54. Weather conditions for crop production have been the best in many years. Greater production is forecast for 1954 (furnishing supplies for 1954-55) for every important crop except flaxseed and possibly winter vegetables. Not only will greatly increased quantities of cotton and coffee and the less important items such as sugar, peanuts, and fruit be available for export, but increased production of the basic food products will eliminate imports of corn and beans and sharply reduce import needs for wheat.

Because of severe drought in 1953, Mexico faced a critical food situation in 1953-54 that was relieved by abnormally large imports. Domestic production supplied only about 92 percent of the total food caloric consumption. With excellent crops in 1954, however, the agricultural situation will be quite different and the country will have a slight net export surplus of food.

The market for United States agricultural products in Mexico in 1954-55 will be sharply reduced from the unusually high level in 1953, but probably will be about the same as in 1950, the last pre-drought year when no corn and beans had to be imported. The decline in imports of wheat will be offset partially by increases in other products.

The anticipated reduction in agricultural imports in 1954-55 as compared with 1953 will mean a saving of about \$53 million in foreign exchange. This, together with the expected increase in the value of exports of \$73 million, should go a long way to restore the balance of Mexico's foreign trade and to build up monetary reserves. Once accomplished, the Mexican Government may relax its tight import controls on such items as fats and oils, powdered milk, powdered eggs, fruit and cheese, and lower its recently raised import duties on such items as fresh fruit and cheese, so that United States exports may again flow more freely.

Other Northern Latin America

Food and fiber supplies in the other countries of northern Latin America in 1954-55 are expected to be at or above those of the previous year. Export crops in most areas are forecast at higher levels, with the exception of bananas in Central America. Floods following hurricanes in September, 1954,

destroyed crops and large sections of banana plantations, especially in Honduras, where exports in the coming year may be only a fraction of those during the past season. Current shortages of food crops in Central America stem from this cause.

Dollar earnings in Colombia from coffee exports should continue at a high level as production is increasing steadily. Formerly a good market for United States cotton, the country is increasing its cotton production each year, output having risen two and one-half times in two years. Expanded area in cotton and improved yields account for the increase. Mills are required to buy the entire domestic output even though the price may not be competitive with the imported product. Informed observers estimate that Colombia will become self-sufficient in cotton within the near future. It is expected that the country will continue to import from the United States material quantities of grains and preparations, fats and oils and other food products.

Venezuela continues to need wheat flour, rice, preserved milk and other dairy products, vegetable oils, eggs, sugar and potatoes. It is self-sufficient in beef and poultry. The United States may expect a diminishing market in Venezuela for baby chicks, powdered milk, eggs, sugar, fruit juices, and possibly potatoes due to increased domestic production and its policies of self-sufficiency in agricultural products. The market for other agricultural products should expand with increased population and continued prosperity.

The agricultural situation in Ecuador appears to be excellent with a prospect that exports may be the largest on record in 1954. This is in spite of gloomy prospects for exports of rice and Panama hats.

Food supplies in the Dominican Republic are adequate and production of basic foods shows an upward trend. Exports of agricultural products, with the exception of sugar will be higher in 1954 than in 1953 and prospects for 1955 are good. In Haiti local shortages of food exist because of hurricane and flood damage and a small coffee crop is expected in 1954 and 1955.

Argentina: The prospects for agricultural supplies in Argentina for 1954-55 are generally good, with the probable exception of edible oils. Official reports on crop conditions range from good to excellent and on the whole crops are considered in better condition than in 1953-54, although total area will be smaller.

Production of all grains in Argentina has been relatively good for the past two years. Supplies have been sufficient to cover all domestic needs and provide substantial quantities for export. During the 1953-54 season in particular, exports were heavy, and it may be the biggest grain-exporting season of the past 20 years. With the heavy shipment of grains, especially wheat, the carry-in stocks for the 1955 season are expected to be considerably smaller than a year earlier, but the excellent prospects for the 1954-55 wheat crop leave little doubt that the supplies of grain for domestic use will be more than adequate during 1955.

Efforts to export grains apparently will be fully as active as during the preceding season. Sales under bilateral arrangements and for soft currencies will be easy so far as quantities are concerned, but obtaining satisfactory prices in view of heavy world supplies will be a continuing difficulty for the official buying and selling agency, IAPI (Argentine Trade Promotion Institute).

The large accumulation of linseed oil in the hands of IAPI (about 364,000 short tons) at the beginning of the 1953-54 season was reduced to 55,000 tons by October 1 through barter deals and straight sales by IAPI. Sowings for the 1954-55 flaxseed crop may be about the same as a year ago or show only a modest increase, but the outlook is for excellent yields. Edible oil production in Argentina has been decreasing and finally reached the point of exhausting previously accumulated stocks, and imports of about 16,500 short tons of oil were necessary in 1954. Early optimism for the 1954-55 crop is lessening at present and it now appears that the further deterioration in sunflowerseed prospects can only be directly reflected in further import needs next year in spite of increased sowings.

Heavier consumption of beef, mutton and lamb in Argentina in 1954 shows a continuation of livestock recovery, a government policy to maintain fairly adequate and low priced supplies of meat for local consumption at the expense of exports. Domestic consumption was about 90 percent of production in 1954. Livestock numbers still are being built up, however, and this should be reflected in increased slaughter during the coming year.

Argentine exports of wool during the 1953-54 wool year ending in September were about 200 million pounds and are expected to continue large, mostly as a result of barter arrangements with European countries.

Brazil: Production of most of Brazil's principal food and fiber crops in 1954-55 is expected to increase over that of a year ago. Outlook for food supplies in 1955 is generally favorable, but much depends on weather during January-June, economic factors, and the character of Government policy. Corn production may be down from the record crop of 1953-54 but present stocks are large. Production of wheat also may be slightly less in 1954-55 than the previous harvest of 25 million bushels because of unusually heavy rains during the planting season. Wheat is Brazil's most important agricultural import. In 1955 imports may total about the same as in 1954 -- a record of 73 million bushels (including flour). Increased consumption over the past few years has resulted in steadily rising imports in spite of high support prices for domestically produced wheat.

Important export crops are coffee, cotton, and cacao. The declines in the export quantity and price of coffee in mid-1954 worsened an already acute foreign exchange situation, with particular reference to dollar areas. Many of Brazil's minor export products are over-priced in the world market, and their export must be facilitated through trade agreements, subsidy, or under-invoicing. Both cotton and cacao are moving into export at good prices.

Imports of food commodities, with the exception of wheat and flour and possibly dried fish, were substantially reduced in 1954, and because of the shortage of exchange, especially of dollars, imports currently are being reduced further or are being sought in soft-currency areas or countries with which Brazil has a trade balance. Prospects are not bright, therefore, for expanding dollar sales

of United States agricultural products in Brazil during 1955, except for wheat and flour. Argentina is the principal source for these latter products, but the United States should be able to supply a substantial portion of the import needs.

Other Southern Latin America: Over-all crop production in 1953-54 in Uruguay, lead by a record wheat harvest, was slightly higher than in previous years. The outlook for 1954-55 is for continued high production. This year's wheat crop should supply all of Uruguay's requirements and permit at least 11 million bushels for export. Wool production also set a new record, but it appears that beef exports will decline somewhat in 1955 since high domestic consumption rates are not expected to change.

Bolivian food production is expected to show some increase as a result of a food production program, but the increase will not be of any appreciable importance for at least another two years. Bolivia still must rely on foreign markets for such items as wheat, fats and oils, dairy products, sugar, rice, and meat. While at present all wheat flour and fats and oils are being supplied by the United States under grants-in-aid, other products being purchased by Bolivians such as dried and evaporated milk, sugar, rice and meats are being obtained from other countries because of the high level of United States prices.

Paraguayan agricultural supplies reached usual levels in 1954 with the exception of cottonseed oil which is the basic cooking oil of Paraguay. With partial failure of the cotton crop, an acute shortage of this oil has developed. Some imports have been made from Argentina and the United States, but a shortage of about 1,600 short tons still exists.

Peru: Cotton and sugar account for over 40 percent of the total value of Peruvian exports. Indications now point to a sugar crop in 1955 which will permit exports of about 440,000 short tons and cotton exports are expected to set a new record. The national production of wheat continues to fail to meet domestic requirements by an increasing margin. Import needs of wheat for 1955 are expected to reach about 10 million bushels. Negotiations for the purchase of this wheat have not yet been completed.

Chilean farm production was low in 1954 and a substantial food deficit occurred. Output of grains, including rice, showed a decline from a year earlier. Other crops which were retarded and damaged by unfavorable spring weather conditions include garbanzos, lentils and fruit. Although the area in wheat has been increased for the 1954-55 crop, yields are expected to be below average because of the dry weather during the end of the winter and into spring and a wheat deficit of about 15 million bushels is expected for 1955. Edible oil imports requirements may approximate 25,000 short tons during the year and sugar imports 244,000 short tons.

WESTERN EUROPE AND FRENCH NORTH AFRICA

With favorable conditions for both wholesale and retail demand for agricultural products, and crops not quite as satisfactory as they were last year, Western Europe is likely to import more wheat, feedgrains, vegetable oils, citrus fruit, tobacco, and cotton in 1954-55.

Western Europe will get less in the way of agricultural products from Eastern Europe, where harvests have been unsatisfactory. Prospects of increased imports by Western Europe from the United States have been improved by the liberalization of dollar imports for various agricultural products by some countries, and United States legislation facilitating the sale of surplus farm products abroad.

Production: Western Europe's harvest was not as uniformly favorable in 1954 as in 1953. While quantitatively the outturn of grains and potatoes was again very large, rains and storms at harvest time damaged the quality of the grain over the entire western, northern and central parts of Europe. The sugar beet crop was much below the large harvest of 1953, and sugar content generally is reduced. For olive oil 1954 was an off-year, with lower production cyclically expected; but the decline from 1953 was extraordinary - down to about one-half of that year's production.

Wheat (and total grain) production in Italy and Greece is sharply down - in Spain and France sharply up. The decline of wheat output in Italy, as well as Western Germany, Austria, Denmark, the United Kingdom and Greece is estimated at 70 million bushels, whereas the increase in Spain and France alone comes to 112 million. Additional increases in the other Western European countries raise the regional total well beyond the record output of 1953.

Quality of the crop, however, is much less satisfactory and a relatively large share will be feed wheat unusable for milling purposes, because of high moisture content. Total production of rye is up because of the increase in Germany. Feedgrain production was down from a year earlier with noticeable reductions in barley and oats in the United Kingdom and corn in Italy. Grass was good much of the season, while hay crops in northern, western, and central Europe were damaged by excessive rain.

Large potato crops were reported from France, the Low Countries, and Germany, with a reduction (partly in acreage) in the British Isles. Keeping quality is said to be low because of too much moisture. Early German reports indicated an increase in sugar beet output, while practically all other countries reported declines, especially drastic in the United Kingdom, Denmark, Belgium, and France.

Production of oilseeds - mostly because of a large increase of acreage in Sweden - is up in 1954. Acreage and output in France again declined owing to less favorable price-relationships. The decline in the production of olive oil was especially marked in the Iberian peninsula.

Production of plums, cherries, and peaches in 1954 was somewhat lower than in 1953, but above the average of recent years. Output of apples is above 1953 and much above the average; pears are somewhat below 1953. The crop of citrus fruits in 1954-55 in the Northern Mediterranean area is likely to be somewhat below 1953-54, partly because of the effects of last February's freeze in Spain. Vegetable crops in central, northern and western Europe were poor.

Livestock numbers, on the whole, have further increased, though hog numbers are now declining in some countries. Price-relationships, because of the somewhat less favorable feed situation and a decline in prices for livestock and eggs, foreshadow a less profitable position in the present marketing year. Yet it is unlikely that there will be significant changes in the output and disposition of meat, milk, and eggs in 1954-55.

French North Africa had another good wheat crop in 1954, exceeding the high levels of 1952 and even 1953. There was a decline in barley output for the second consecutive season, due to a 10 percent drop in Morocco. Corn output in French Morocco declined by as much as one-third due to lack of rainfall during the growing season in the North. Output of olive oil declined by one-third in Tunisia, the main producer, while the smaller crops of Morocco and Algeria increased over last year. The citrus crop will be still larger than in 1953-54 if the present forecast for a record output in Morocco and another large crop in Algeria and Tunisia is realized.

Stocks: In Western Europe taken as a whole carry-in stocks of grain at the beginning of the 1954-55 marketing season were somewhat below a year ago, largely because of declines in the United Kingdom, Germany, and the Scandinavian countries. Reductions in food and other commodity stocks were rather general in the United Kingdom since government trading has largely ceased and the private trade, for reasons of finance and risk, is less inclined to carry large reserves. While stocks of grain and tobacco in the United Kingdom were thus reduced to a bare minimum in 1953-54, the Government is still selling substantial stocks of cotton and sugar.

Sugar stocks, in general, probably increased on the Continent during 1953-54 and will cushion the impact of lower production this year. Continental stocks of tobacco and raw cotton continue low.

Economic Conditions and Consumption Outlook: Economic expansion has continued through 1954 in Western Europe, and received additional support from the greater confidence in the business outlook displayed in the United States. Main props of the continued expansion in Western Europe were to be found in building activity and increasing exports. Rising currency reserves have increased the liquidity of the banking system, interest rates are declining, and the demand for credit to finance the expanding investment

is being satisfied without difficulty. Indicative of Western Europe's gains in basic strength and international economic position are the recent discussions of its participation in economic development aid for under-developed countries. Not only the United Kingdom and Switzerland, but also Belgium, the Netherlands, and Western Germany have shown great interest in a practical approach to facilitating capital exports for this purpose.

While investment was thus the prime factor in continued European improvement, propensities to consume also seem to have been strengthened. Tax reductions in a number of countries have added to disposable personal income and consumption has generally risen throughout the area. Temporary difficulties as a result of special situations in a few countries (drought and resultant crop deficits in Yugoslavia, over-expansion in Denmark with resultant foreign exchange crisis and remedial measures to restrict record consumption) notwithstanding, Western Europe's economic situation has further improved and the improvement is likely to be maintained.

The outlook both for domestic consumer buying power and for Western Europe's international buying power — strengthened by continued improvement in its foreign balance and through special United States programs — is therefore favorable. In accordance with this general economic situation there have been further relaxations in import controls and policy regimentation, though important policy obstacles to freer trade with the dollar area persist.

Policies: The encouraging progress made in Europe in 1953 towards the restoration of a freer market economy for agricultural products was accelerated in 1954. More products have been handed back from government management to private trade. Imports from the dollar area have experienced substantial liberalization, either through removal of quantitative control, or more liberal practices in the licensing procedure. Intra-European trade also has been included in further liberalization.

There are dark spots, however, in the policy picture. Farm protection continues strong and aggressive over most of Europe, and quantitative restrictions on imports — originally conceived and condoned on balance-of-payments grounds — have become strongly entrenched as measures of protection and of bilateral commercial policy. And it is significant that the farm communities in quite a number of European countries cling to these and other types of support even at a time when their domestic markets are well sustained by rising purchasing power and expanding general economic prosperity. Much is being done by countries individually and collectively (through the European Productivity Agency of the Organization for European Economic Cooperation — OEEC — and otherwise) to promote productivity in agriculture, but a systematic movement toward increasing the pressure of competition thus far is not among those measures. Even decidedly retrograde policies have again come to the foreground of discussion. Thus, within plans for desirable political and economic cooperation between France and Western Germany the idea of long-term purchase agreements for German takings of

French wheat, meat, and sugar has been ventilated; and the Committee on the Development of Trade and on Agricultural Problems of the Economic Commission for Europe have recently shown a revival of interest in the possibility of long-term bilateral purchase contracts between Western and Eastern European countries.

The following specific developments have highlighted the general trend toward trade liberalization, and have special importance for the future of European import demand for dollar area products.

In the United Kingdom decontrol of almost all phases of food distribution was completed during 1954; the last commodities to be derationed were fats and oils in May and meat in July. Distribution of imported canned foods will be entirely relinquished by the Ministry of Food in January, 1955. Most of the agricultural trade has been returned to private channels; price formation and distribution are now more freely determined by the normal market forces, though the Government continues to exercise some direct and indirect controls for general economic reasons as well as for the protection of farmers in Britain and in other Commonwealth areas. The Government is winding up its long-term bulk purchase commitments. However, in some cases it will still import in 1955 such commodities as sugar, bacon, butter, cheese, nonfat dry milk solids, orange concentrate, oils and oilseeds from the Pacific Islands.

The Government thus continues to be an important trader. In conjunction with this movement toward the restoration of desirable market forces, the Government's farm support system has been shifted from fixed support prices to direct deficiency or subsidy payments to farmers, in some instances through marketing boards. This is now the support system for grain, meat, wool, eggs, and potatoes. In the case of fluid milk the Government, through the Milk Marketing Board, guarantees a minimum price. The termination of rationing and the considerable reduction in price control and bulk buying has resulted in the transfer of the remaining functions of the Ministry of Food to the Ministry of Agriculture. This transfer is to be completed within a few months.

Outstanding in the liberalization of trade in the United Kingdom was the reopening of the Liverpool Cotton Exchange and the restoration of complete freedom to import cotton from any source. In addition, the grain trade - liberalized in 1953 - was free for all practical purposes during all of 1954. Beans, dry peas, some seeds and many fats and oils (except lard, tallow, and cottonseed-oil) were placed on open individual license. As a result of this liberalization the relative position of the United States in the United Kingdom market has improved for coarse grains, dry beans, soybeans, linseed, and cotton. Other commodities continue to be controlled by import quotas, and for some no quotas are being granted at this time.

In Western Germany the Government freed from quantitative restrictions previously applied to imports from the dollar area a large number of products, including raw cotton and lint, leaf tobacco, inedible tallow and hog-grease

for technical uses (February 1954). A second liberalization list (November) for dollar imports did not include any agricultural products. The import control exercised by the so-called import and storage agencies, for grains, edible fats and dairy products, meat and meat products, and sugar, is not at all times applied in discriminatory fashion; however, it can be and is being so applied whenever commercial policy reasons make it desirable for the Government to direct its purchases of these products to certain markets.

Belgium-Luxembourg and the Netherlands, joined in preliminary phases of an economic union, took a further step toward trade liberalization in June 1954 when they issued an extensive list of commodities which can be imported from the dollar area without restriction. As a result of this and previous actions taken by these countries individually, the Benelux Union no longer applies discriminatory limitations on the imports of any agricultural products from the United States, though agricultural producers remain effectively protected by global import controls and price management.

On October 1, 1954, Sweden liberalized a substantial portion of its imports. Agricultural commodities now entirely free from quantitative restrictions include cotton, rice, dried fruits, nuts, canned fruits and fruit juices, fresh and canned vegetables, hops, and others. For still other commodities import licenses, while not open, will be granted freely for imports at regular or premium ("transit") dollar rates; commodities on this latter list include citrus fruits, grapes, apples, pears, peaches, tobacco, and flaxseed. Other countries, while not formally placing dollar commodities on open general licenses, have liberalized their procedure of issuing specific licenses for imports from the dollar area. They are more inclined now toward such limited liberalization because of the substantial further improvements in their gold and dollar reserves.

In France the new measures of agricultural protection and management were induced in 1953 by the emergence of surpluses, and were further solidified under the special powers for economic rehabilitation granted the Government in August, 1954. The program that is slowly taking shape aims both at short-run direct protection of agriculture and of agricultural expansion, and at more long-run increases in agricultural productivity. The basic problem is the disparity between the high French costs and farm prices and the lower prices abroad, simultaneously with a production level that yields surpluses for export.

The short-run measures include stabilization machinery designed to support farm prices by use of storage programs and/or subsidies to exports, as well as production control if necessary. Exports of wheat, sugar, meat, and some other products are being subsidized out of general government revenue, special producer funds, reimbursement for taxes, or special currency premiums on dollar imports of products not otherwise admitted. Legislation provides for the reduction of the sugar, alcohol and wine surpluses. In November 1954 measures also were taken to re-expand oilseed

production and provide farmers with an alternative crop (rapeseed) for diverted sugarbeet and possibly some wheat acreage. Tunisia was included in the common France-Algerian grain market in April 1954, and French Morocco will probably be included during the current season. In October 1954, a decree was passed reforming the French overseas territories customs regime, and other measures are planned to enhance the already close economic and financial cooperation between France and those territories. It is still the Government's policy not to make available dollars for the purchase of United States agricultural products other than cotton and tobacco, though when a commodity is temporarily in short supply imports of a necessary quantity from the United States are authorized. Other imports may take place at premium rates, within compensation trade arrangements.

Trade: The lower crop outturn in some countries, the reduction in carry-overs, and the higher moisture content of the wheat harvested this year in northern, central, and Western Europe make it probable that European imports of overseas wheat will be larger in 1954/55 than they were in 1953/54 (when they dropped to three-fourths of the previous season). The requirement will be largely for good hard wheat. Intra-European export supplies - from France and Sweden combined - will be larger than they were in 1953/54, but much of this supply is wheat for feeding because of the unsatisfactory quality of the crop. Exports from Eastern Europe will be smaller; in fact, Eastern Europe is in need of imports this year.

Feed requirements in Western Europe are likely to be larger than in 1953-54, because of higher livestock numbers. Output of feedgrains, on the other hand, was lower than last year. However, much larger quantities of feed wheat are available this year, on an intra-European basis, and the supply of potatoes for feed will also be larger in Western Germany, France, and the Low Countries. Therefore, while it is probable that requirements for overseas coarse grains will increase this year, the increase is likely to be modest. In the United Kingdom and Denmark, where livestock numbers are at record levels and both crops and stocks of feedgrains and potatoes are down, import requirements will be definitely above last season.

In view of the disappointing results of the olive crop in the Mediterranean area, import requirements for vegetable oils and oilseeds in some countries are likely to show a substantial increase. Import requirements for deciduous fruits should not differ greatly from those of 1953-54, despite the larger crop of apples in a number of importing countries. Consumer buying power is on the increase and fruit consumption benefits from it. Similarly, the trend of consumer demand for citrus fruit continues upward and import requirements should again be higher in 1954-55. If prices are right, larger imports from outside the Mediterranean area - where citrus crops are reported below 1953-54 - will be required.

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The improvement in holdings of gold and dollar reserves of most countries in Western Europe augurs well for 1954-55 imports of leaf tobacco from the United States. This improvement in the financial position of these countries has been accompanied by liberalization of import restrictions on dollar tobacco imports into Western Germany and the Benelux countries. Stocks of United States tobaccos in the United Kingdom on July 1, 1954, were below those of a year earlier, and some rebuilding appears necessary, especially in view of an increase in consumption in recent months.

Tobacco consumption also appears to be increasing in a number of other European countries, such as Switzerland and Western Germany, and this should be reflected in larger takings of United States leaf. Generally improved economic conditions, greater purchasing power, and the larger number of persons of smoking age -- all should be reflected in larger exports in 1954-55. On the other hand, larger crops of tobacco in a number of important producing countries that do not require payment for tobacco in dollars and relatively lower prices for certain grades and types, to some extent may offset the factors favoring increased exports from this country.

Imports of raw cotton into Western Europe during 1953-54 were up one million bales from the low level of the previous year. Because of the aggressive cotton export programs of foreign exporting countries, namely; Egypt, Brazil, and Turkey, the United States' share in this higher rate of European imports was only moderately improved. In the early months of the current year, activity in the textile industry was being maintained at a high rate. Stocks of cotton in Western Europe on July 31, 1954, were low and imports in 1954-55 should equal or slightly exceed the improved rate of the previous year. With prices of United States' cotton in most instances fully competitive with comparable growths from other exporting countries, it should be possible during the current season for the United States to obtain a larger share in Western Europe's cotton imports. At the present time there are no restrictions on imports of United States cotton into Western Germany, the United Kingdom, Sweden, Switzerland and for all practical purposes, Belgium and the Netherlands.

EASTERN EUROPE (excluding the USSR)

With food production below last year's level, exports from Eastern Europe to the west are expected to be smaller in 1954-55 than in 1953-54, and imports from the west are likely to increase. Eastern Europe, including Yugoslavia, may even shift temporarily from a net exporter to a net importer of food from the west. Exports to Western Europe throughout the postwar period have been far smaller than in prewar years, when Eastern Europe supplied a substantial share of Western Europe's imports of breadgrains, coarse grains, sugar, potatoes, meat and eggs.

Production. Such information as is available on Eastern Europe indicates a poorer harvest in 1954 than in 1953 when output was still materially below the prewar level. Unfavorable weather for grain was reported from the time of preparation for planting in the fall of 1953 to harvest in the summer of 1954.

Output of grain in Yugoslavia, where breadgrain crops were especially hard hit, is little more than four-fifths as large as in 1953. Among the satellite countries, Poland alone appears to have had a larger grain crop this year than last. Output of potatoes and sugar beets, largely concentrated in Poland, Czechoslovakia and Eastern Germany, seems to have been satisfactory, but in Eastern Germany at least the sugar content of the beets is down.

Policies. The "New Course" in agriculture, initiated in the satellite countries last year, has been reflected in a relaxation of the pressure upon producers to join collectives; a decline in the number and area of collectives in some countries; and in a somewhat friendlier policy toward private producers who received modest concessions with regard to compulsory delivery quotas and the allocation of means of production.

In Yugoslavia, where the drive for collectivization was relaxed in 1951 and all compulsory delivery quotas were abandoned by March 1953, the government continues to employ the subsequently-adopted system of voluntary contracting for breadgrains at favorable prices. In April 1954, Tito announced that he hoped for voluntary association of the peasants into some form of cooperatives, but that he had no intention of using force, or of reducing below the present 25 acres the maximum size of land holding permitted.

Consumption and trade. Food shortages, which continued throughout the region in greater or less degree, were mitigated in some countries by the release of stocks and heavier imports of food during 1953-54. The food situation during the 1954-55 year is bound to remain precarious. In the satellite area, Czechoslovakia and Eastern Germany together are estimated to require some 3,000,000 short tons of grain, and Hungary, traditionally a grain exporter, may be a net importer in 1954-55. Ordinarily imports come from other Iron Curtain countries, but this season 275,000 short tons have already been bought from France through AGRIMPEX, the Hungarian State Agricultural Foreign Trade Organization, acting as buying and distributing agent for wheat for Hungary, Poland and Eastern Germany. Yugoslavia puts its wheat import

requirements at more than 1,000,000 short tons, (1 short ton equals 33.33 bushels) and imports are expected to come mostly from the United States under the economic aid programs and Public Law 480.

During the past year Yugoslavia made trade agreements with the satellite countries, and on October 1, 1954, trade arrangements were concluded between the Yugoslavian Chamber of Foreign Trade and the Soviet Foreign Trade Organization. As far as is known, grain is not among the commodities to be traded. The exchange between Yugoslavia and the Soviet Union is to include Soviet cotton and industrial products against Yugoslav meat, tobacco, hemp and industrial products.

At the November 1954 meeting of the Committee on Agricultural Problems of the Economic Commission for Europe, it became evident that the satellites would have less to export to the west in 1954-55 than in 1953-54, though it was indicated that Rumania would be able to meet its corn export commitments, and that Poland expected to increase its exports of butter and maintain exports of bacon and eggs at least at the 1953 level. It is also probable that satellite imports of agricultural products from Western Europe will show an increase, as a result of larger takings not only of grain but also of meat, fats, including butter, and some other food products.

SOVIET UNION

The Soviet agricultural situation in 1954 was characterized by:

- (1) extreme regional variations in weather conditions and crop yields;
- (2) an increase of acreage, especially under wheat and cotton, signaling the beginning of a far-reaching new program of acreage expansion;
- (3) a crop production generally not greatly different from the low level of 1953;
- (4) little improvement in the livestock situation;
- (5) sizable imports and little exports of foodstuffs; and
- (6), a generally very active government policy aiming to expand the lagging agricultural production.

Weather: Extreme regional variations in weather conditions took place during the 1954 crop year. A number of the southern regions suffered from a severe drought, while weather conditions were favorable to crops in the East. The drought began in some of the southern regions in the autumn of 1953 and was followed by an abnormally cold winter. A late and cold spring delayed farm operations for approximately one month in all important agricultural regions. The summer months were abnormally hot and dry in a large and important food-producing area in the Ukraine and Volga basin, with a consequent heavy reduction in crop yields. The prolonged and mild fall, however, in this area, as well as in most other regions of European USSR, has facilitated the harvesting of late crops and the plowing of land for spring planting in 1955.

By contrast, in the eastern regions (Urals, Siberia and Kazakhstan) good weather conditions during the growing season were followed by heavy rains during the harvest, which interfered with the gathering of crops, and resulted in heavy crop losses. Spring wheat is the dominant crop in these eastern regions, as well as in the Volga area which suffered from the drought, while winter wheat is the leading crop in the drought-stricken Ukraine.

Crop Acreage and Production: The publication of crop acreage and production figures, though somewhat less restricted than during the Stalin era, is still very limited and unsystematic. It was officially reported, that the total

sown area for 1954 was 13 percent above 1950, which would bring it to 408 million acres, compared with 388 million in 1953, 385 million in 1952, and 372 million in 1940, for approximately the same territory. Of the large increase of 20 million acres, reported in 1954, nearly 9 million constituted the new area brought under cultivation and sown mostly to wheat last spring in the eastern regions, as part of a huge acreage expansion program. Increases were reported also for cotton, corn, potatoes, sugar beets, sunflower seed (which is the most important oilseed crop in the USSR), vegetables, and various forage and silage crops.

In the new drive for increased food and feed production, however, there may have occurred a substantial decrease in the large acreage under perennial grasses in the drier regions. Until 1954, the growing of perennial grasses, as an essential ingredient of a crop rotation system, was generally encouraged by the Kremlin, despite the low yields of such grasses in the drier regions. But early in 1954 the harmfulness of this policy was finally admitted and it was reversed in favor of the better yielding spring grains. It is not clear, without a more detailed breakdown, whether such a decrease in the acreage devoted to perennial grasses and a shift to other crops actually occurred, and whether it was fully reflected in the reported overall acreage increase.

No official production figures were published for the grain crops of 1954 and 1953, when the exaggerated "biological" preharvest method of estimating crops was apparently abandoned. The official statement on this year's grain crop was that it "will be somewhat larger than in 1953," when weather conditions were also unfavorable in many important agricultural regions, and barn production low.

The production of breadgrains (wheat and rye) in 1954 is apparently somewhat higher than in 1953, due to the increased wheat acreage and good yields in the eastern regions, which probably offset the losses suffered in the drought-stricken areas of the south. The production of feedgrains, however, appears to be lower. Potato production, which is spread over a large area and was only partially affected by the drought, at least equalled and probably exceeded that of 1953. Sugar beet production, heavily concentrated in the Ukraine, was adversely affected by the drought, and was probably below the 1953 level. Cotton production in 1954 was apparently higher than in 1953, due to relatively good yields and to an increase in the area planted to cotton. Considerable harvesting difficulties, however, were reported.

Grain Deliveries: The government plan of compulsory deliveries and extra purchases of grain from collective farms and deliveries of state farms was reported as slightly overfulfilled by November 5, 1954, ahead of schedule. Grain collections exceeded those on the same date of last year by 5.2 million short tons, of which wheat constituted 31.5 percent or 1.5 million bushels. For a number of regions, however, grain collection goals were set lower than last year owing to the drought. For the Ukraine, for instance, the collection goal was reduced by more than 4 million short tons. But such reductions were more than offset by the increased collections of 7.7 million short tons in the Urals, Siberia and Kazakhstan. In general, compulsory collection quotas for grain at low fixed prices were reduced this year, but the reduction was more than compensated by increased government purchases of grain at prices above those paid for compulsory deliveries. In addition to the above-mentioned direct collections, the government obtains a large supply of grain through the payment in kind by the collective farms to the state machine-tractor stations servicing them. There were complaints that these collections were lagging in 1954.

Livestock: The livestock situation has long been one of the major weaknesses in Soviet agriculture. Official data, released in September, 1953, revealed that most livestock numbers at the beginning of that year were below the pre-collectivization period, despite a very considerable increase of population. In 1953, the annual census of livestock was shifted from January to October to obviate the holding of livestock until the enumeration had been completed and thus to economize on fodder, which has been a weak spot in the livestock situation. Accordingly, livestock statistics which were published in 1954 are not comparable with those for preceding years. The 1953-54 winter was unusually cold in many regions of the Soviet Union, and with continuing inadequate fodder supplies and shelter facilities and poor husbandry practices, only a small increase in livestock numbers took place between October 1953 and October 1954. Despite reported increased government collections of meat and milk, shortages of animal products at the controlled prices were experienced in 1954.

Reduction of Food Prices: In April, 1954, the government ordered the seventh successive reduction in retail prices of foodstuffs and other consumers' goods sold in government stores, which constitute the principal retail outlet in Soviet cities. The 1954 price reduction on foodstuffs was smaller, both in terms of the number of items involved and the extent of reductions, than in 1953. Actually, the food price reductions in 1954, like those of 1953, had less effect on the total cost of food to the consumer than may appear. The state store supply of fresh foods, such as animal products, vegetables, including potatoes and fruit, was limited, and, in many instances, non-existent. Therefore, urban consumers were forced to purchase most of their supplies of these commodities at much higher cost in the free market, where little change of prices has taken place in recent years. Information on the food situation in the more remote interior is scant. While no special food hardships in the drought-stricken areas have come to light so far, they may develop later in the season unless measures are taken by the government to prevent their occurrence.

Retail Food Prices in Moscow State Stores on Specified Dates

Food Item	Jan. 1 1940	Jan. 1 1948 ^{1/}	April 1 1953	April 1 1954
	(Rubles ^{2/} per kilogram ^{3/})			
Rye bread - black	.85	3.00	1.35	1.25
Wheat bread - white	1.70	7.00	3.10	2.95
Beef - 1st quality	10.50	30.00	15.00	15.00
Sugar - lump	4.10	15.00	10.70	10.70
Butter - sweet	21.00	64.00	26.80	26.80

^{1/} Following abandonment of rationing. ^{2/} The value of the ruble cannot be stated accurately in terms of U.S. currency. The official exchange rate has been fixed at 26 U.S. cents per ruble. This rate does not represent the true purchasing power of the ruble nor does it reflect its depreciation since the beginning of World War II. ^{3/} One kilogram equals 2.2 pounds.

Government Policy: The Soviet government policy during 1954 was directed towards implementation of the program announced in the fall of 1953, to increase the economic incentives of collective farmers and their interest in production. Measures were adopted to reduce taxation and compulsory delivery (collections) quotas and to increase prices at which the Soviet government purchases a number of farm products. In June of 1954, grain and oil seeds were added for

the first time to the list of products on which compulsory delivery quotas were reduced and increased reliance was placed on extra quota purchases at higher prices. All this has been done, however, without impairing the basic structure of collective farming, government control and direction of which has been increasingly tightened. The compulsory minimum of labor on collective farms by their members was increased.

The government also has taken steps to increase production through expansion of acreage. Plans were announced early in 1954 to increase cotton acreage and production in the irrigated regions of Soviet Central Asia or Turkestan. An even more ambitious expansion program was adopted for grain production on the virgin or long uncultivated land, which was mostly in pastures or meadows in the eastern regions. This program called for the planting in the spring of 1954 of additional 5.7 million acres, mostly to wheat, and for plowing up of a much larger area so that in the spring of 1955, 32,000,000 acres could be seeded to grains. Actually, despite many organizational shortcomings, the official goal for the cultivation of this new land was exceeded and nearly 9 million acres were seeded in 1954. Unusually favorable weather conditions during the growing season and good harvest in 1954 in this normally semi-arid zone apparently encouraged the government to increase the acreage goal to 37 million acres in 1955, and to nearly double it for 1956. This is, however, an area of precarious conditions for agricultural production, with light rainfall, frequently recurring droughts, and normally low and unstable yields, which makes the success of the new expansion program seem problematical. (See: "The New Battle for Grain in Soviet Russia," Foreign Agriculture, November 1954. pp. 194-199.)

Foreign Trade: Small grains, principally wheat, have long constituted the traditionally important Russian agricultural exports. In 1953-54, however, grain exports to the non-Communist world were small, about one million tons, though substantial shipments to Czechoslovakia and East Germany were also indicated. So far, in the 1954-55 season, the Soviet Union has not been active on the international grain market. On the other hand, in June, 1954, one million bushels (22,000 tons) of barley were purchased by the Soviet Union from Canada. It was claimed by the Russians that the barley is intended for brewing purposes. It should be kept in mind, that disposal of the crops to domestic consumption needs, stockpiling and exports depend primarily on the decisions of the Soviet government, which has a monopoly on foreign trade and controls the internal allocation of supplies. If, therefore, the Soviet government should envisage economic or political advantages by exporting grain or other commodities it may make the supplies available, even at the expense of domestic needs.

The Soviet Union, which has long experienced shortages of animal products and fats, has recently become a significant importer of meat and butter. The increased imports apparently are dictated by the much publicized Soviet campaign, since Stalin's death, to begin improving the living standards of the people. Soviet meat imports or contracts let from the non-Communist world during 1954 were estimated to be over 240 million pounds, compared with less than 20 million in 1953. During the calendar year 1953, butter exports to the Soviet Union from the non-Communist world amounted to close to 77 million pounds and during the first six months of 1954 to over 35 million. Before the war, the Soviet Union exported butter, though it was high-priced and frequently scarce domestically. There are indications that the Soviet Union will continue to be in the world market for butter and meat during the current season.

THE MIDDLE EAST AND ASIA
(excluding China)

Agricultural production during the crop year 1954-55 in the Middle East and Asia declined somewhat below the high level reached in the preceding year. The major declines in volume occurred in India and Turkey, while slight increases occurred in Burma, Ceylon, Israel, and Egypt, and a substantial increase in Jordan. The index of total agricultural production declined during the year and from 146 to 138 in the Middle East and from 118 to 115 in South and Southeast Asia.

In the Middle East the total wheat deficit for 1955, including the grain equivalent of flour, is estimated at about 675,000 short tons plus any Turkish requirements in excess of current arrangements. This is distributed as follows: Israel 300,000 tons, Lebanon 150,000, and Turkey 225,000. Export availabilities in the area are estimated at about 500,000 short tons divided: Iraq and Syria 225,000 tons each and Iran 50,000. This leaves a visible net deficit for 1954-55 of about 175,000 short tons for the Middle East, in contrast with net exports of 435,000 short tons for the preceding year.

For the free countries of South, Southeast and Northeast Asia for 1955 the total foodgrain deficit is estimated at 9.1 million short tons of wheat, wheat flour, barley, and rice distributed as follows: India 3.0, Ceylon 0.6, Malaya 0.7, the Philippines 0.3, Indonesia 0.5, and Japan 4.0. On the other hand, rice surpluses within the area are estimated as follows: Burma 2.3, Thailand 1.5, Taiwan 0.3, South Korea 0.2, Vietnam and Cambodia 0.2; leaving a net deficit for the area of 4.2 million short tons. This contrasts with a net foodgrain deficit for the area of 4 million tons for the previous year.

Total consumption of raw cotton in Middle East and free Asia countries in 1953-54 is estimated at 8.4 million 500 pound bales. Cotton production totaled 7.8 million bales, of which 1.8 million were exported to countries outside the area. Imports from countries beyond the area totaled 2.4 million bales. On a per capita basis, raw cotton consumption in the area totaled about 5 pounds compared with about 27 pounds in the United States.

Total consumption of leaf tobacco in the Middle East and free Asia countries in 1953-54 is estimated roughly at 2 billion pounds. For 1953 exports from the area totaled about 240 million pounds, and imports into the area about 80 million. Of this total the United States supplied 69.5 million pounds, largely flue-cured type leaf. The principal markets for United States tobacco in the area are the Philippines, Indonesia, Japan, Thailand, and Egypt.

Per Capita Food Intake up Somewhat: Food consumption per capita improved slightly throughout the region during 1953-1954, although the people of Japan, Indonesia, Taiwan, Lebanon, and Jordan consumed slightly less than they did in the previous year. The people of India and Pakistan consumed 200 calories per person per day more than they did in 1952-53 because of very favorable crop growing conditions, but the daily intake of 1950 calories is still low.

The decline in price for many agricultural products during the past two years is renewing balance-of-payments difficulties in several of the countries of Asia and the Middle East, notably Turkey, Iran, Jordan, Israel, Pakistan, and Indonesia. Iran's problem will ease as royalties come in from the recently reopened Abadan oil refineries, but the lack of foreign exchange is likely to be a continuing problem with these countries because of their large import requirements for industrial development. The decline in export grain prices during 1954, and the lack of demand even at the reduced prices, foreshadowing possible further price declines, tend to aggravate the balance-of-payments problem for Turkey and Thailand, and may bring Burma into major difficulties. These developments are also likely to affect adversely the foreign exchange positions of Cambodia, Vietnam, South Korea, and Taiwan, which must depend on rice exports for a considerable portion of their foreign exchange earnings.

The Middle East and Asian countries are also having major difficulties in meeting the internal local currency costs of their economic development and social and educational programs. The people of the Middle East and Asia who are not needed on the land want productive non-farm employment and they also want better schools, better roads, better housing, and better communications, and they want them now, not in some distant future, all of which is causing the affected free governments to draw upon their financial resources to the utmost, and to engage in deficit financing. Only time will tell whether progress in these fields keeps pace with the minimum needs of 800 million people whose hopes and aspirations have been greatly encouraged by recent grants of political freedom.

Middle East

Sharp reduction of grain crops in Turkey resulted in a total output of crops in this area for 1954-55 somewhat lower than for 1953-54. Apart from the short grain crop, production of crops in the area for the current year was about as high or higher than a year earlier. The 1954 cotton crop amounted to about 2.75 million bales, or 10% more than in 1953, as acreage was increased, especially in Egypt. Fruit, nut, and truck crops were generally very good, although the Israeli citrus crop now being picked is perhaps 15 percent smaller than last year.

Turkey has continued to encourage increased agricultural production, but extensive drought in 1954 so reduced the grain crops that it is importing wheat and feedgrains from the United States. Aside from grains Turkey provides no prospects of significance as a market for agricultural products and will have substantial quantities of cotton, tobacco, nuts, and dried fruits for export.

Probably more significant to United States agriculture than exports to Turkey is the fact that the decline in the latter's wheat production, from 8.8 million short tons in 1953 to about 6 million tons last year, may open markets in third countries to which about 960,000 tons of Turkish wheat was exported during the 1953-54 crop year. Although Turkey will continue to be a net exporter of cotton, tobacco, and dried fruits and nuts, the problem of earning exchange which was already becoming progressively more serious will be accentuated greatly by the absence of grain exports.

Egypt harvested substantially more cotton, wheat, and rice during 1954 than in 1953. The cotton crop, which usually provides about 80 percent of the country's foreign exchange, is estimated at 1.6 million bales, and the wheat crop is considered the largest in 50 years. This adversely affects prospects for the sale of United States farm commodities in Egypt, because such sales consist mostly of wheat and flour. Egyptian imports of these declined from over \$86 million in 1951-52 to only \$20 million during the 1953-54 crop year. Abandonment of the Egyptian policy of mandatory minimum wheat acreage will probably result in lower production next year. It is not unlikely, therefore, that Egypt this crop year will import some wheat, possibly the International Wheat Agreement quota, in anticipation of a shift in acreage from wheat to cotton.

Syrian agricultural production in 1954 may have exceeded that of 1953. If so, 1954 would be Syria's best year in terms of aggregate volume. Grain suffered from heavy spring rains and flash floods but total production was about the same as in 1953; cotton production rose about 25 percent to perhaps 275,000 bales, and the output of most other farm commodities increased slightly. The country is primarily self-sufficient in essential agricultural products except sugar, and aside from raw sugar tends to import farm products from neighboring countries only.

Although Lebanon's crop production in 1954 reportedly reached a record high in terms of aggregate volume, the country will import perhaps a third of its agricultural requirements, especially wheat, wheat flour, and cotton. Lebanon is experiencing no difficulty in earning foreign exchange to pay for imports. Some wheat and flour are imported from the United States but Syria is Lebanon's largest supplier of wheat, and Canada has become the second largest; consequently, the United States supplied only 3 percent, about 7.5 million dollars in value of Lebanon's total agricultural imports during 1954.

Iran is usually self-sufficient in agricultural products except for tea and sugar. The Iranian 1954 wheat production of 2.3 million tons is reportedly below earlier expectations, but still ample to meet domestic consumption and larger than any postwar crop except for 1953. Nevertheless a poor crop in certain areas which normally produce a substantial surplus resulted in an embargo on wheat exports. The 1954 cotton and tobacco crops were smaller than in 1953. Settlement of the oil dispute is expected to result in substantial foreign exchange earnings, but uncommitted exchange is expected to be quite limited for perhaps three years. Little is expected to be spent on agricultural products.

The Iraq agricultural economy is also of the self-sufficing type. The 1954 wheat crop of 900,000 short tons, is an increase of about 5 percent over the 1953 bumper crop and about 350,000 tons more than the estimated annual consumption of perhaps 550,000 tons. The policy in recent years has been to add wheat in excess of annual requirements to stocks. Exports of dates and barley may be lower in 1955 as the result of somewhat smaller harvests.

Israel's food supply position is generally the best since 1949, but the country produces only about half its food requirements. Citrus is the one farm commodity of which there is a significant quantity available for export. Israel's major problem is finding the means to finance development which would increase self-sufficiency and ability to earn foreign exchange, thereby reducing dependence upon friends abroad. With a 1954-55 food import budget of approximately 45 million dollars, wheat will no doubt continue to be the largest agricultural import.

Jordan had a very good 1954 wheat crop, which means a good year for agriculture since wheat is the primary crop. However, the country continues dependent upon foreign assistance even in the best years.

Increased purchasing power, as a result of oil development, has improved the quality and quantity of food purchases by Saudi Arabia and the Sheikdoms of the Persian Gulf, traditionally dependent on imports for from 70 to 100 percent of their rice, wheat, and flour, barley, sugar, canned vegetables and fruits, coffee and tea -- supplied mainly by neighboring Arab states, India, the Netherlands, the United Kingdom and the United States.

In spite of rising world prices, the outlook for any appreciable increase in Yemen's coffee production is not favorable. Cultivation of ghat trees for their narcotic-bearing leaves continues to be substituted as a more remunerative crop.

South Asia

The total production of foodgrains in India in 1954-55 is expected to be moderately below the record 1953-54 harvest which primarily resulted from exceptionally favorable monsoon rains throughout almost all of the subcontinent in 1953. Because of drought followed by floods in north-eastern India and delayed rains in the north, the rice harvest is definitely smaller this season. Coarse grain production suffered from drought in northern and northwestern India, but lower yields in this area have been largely offset by higher yields in western India resulting from exceptionally favorable rains in that area. Current prospects are for a wheat crop as large or larger in the spring of 1955 because of excellent soil moisture conditions resulting from heavy rains near the end of the monsoon season.

Despite India's extraordinary crops in 1953-54, which added 7 million tons of cereal grains to its previous year's output, imports continue. A total of 1 million short tons of rice was bought from Burma in 1954, of which around 600,000 tons arrived in India before the end of 1954. Nearly 750,000 tons of wheat were purchased in the latter half of 1954, largely from Australia, but the bulk is to be delivered in 1955. India's foreign trade and payments position has gradually improved over the past two years to the point where no difficulty is faced in paying for essential imports from dollar as well as nondollar areas.

The 1954-55 outturn of most food crops except wheat is expected to be somewhat lower this season. In order fully to meet consumer demand it will be necessary to continue the importation of large quantities of sugar. Cotton production is expected to be somewhat above the 1953-54 production of 4.6 million bales (400 pounds). Although the need for cotton imports is gradually declining, the required grades and staple lengths not produced in sufficient quantities in India will continue to be imported from the United States, Egypt, and East Africa during 1955. The current jute crop may total 3.6 million bales (400 pounds) compared with 3.1 million last year. The 1954 outturn of tea, one of India's principal export crops, was definitely above the large 1953 harvest of 607 million pounds, and prices to producers were very favorable. The black pepper harvest may be slightly smaller for 1954.

In Pakistan the 1953-54 foodgrain harvests were among the best on record, but because of extensive floods in both East and West Pakistan, the prospects for 1954-55 harvests are still uncertain. Floods damaged or destroyed hundreds of thousands of acres of rice, jute, and other crops, but increased soil moisture and silt deposits will increase yields in many areas. It now appears probable that there will be some reduction in the harvests of rice and jute, and an increase in cotton, wheat, pulses, and oilseeds.

Pakistan is dependent upon jute, cotton, and a few other agricultural commodities for its foreign exchange earnings. Lower world prices for most of these commodities which followed the Korean War boom have renewed that country's foreign exchange problems.

Imports for consumption are restricted to the most urgent necessities. In 1955 imports of agricultural commodities will probably be restricted largely to flue-cured tobacco, cotton of staple lengths not produced in Pakistan and limited quantities of certain vegetable oils. However, prospective harvests plus stocks on hand are expected to permit food consumption to be maintained near the level of recent years.

In Ceylon the current food supply is so favorable that there is a surplus of rice, the principal food for most people, for export. This year's rice harvest is expected to be a record one for the Island and some 470,000 tons will be imported from Communist China and Burma under long-term trade agreements with those countries. Ample supplies of imported flour and sugar and other foodstuffs are readily available. The present average Ceylonese diet of something in excess of 2,100 calories per person per day is sufficient for minimum nutritional requirements, but is considered to contain too high a percentage of starches.

Ceylon must import considerable quantities of other agricultural commodities; wheat flour, largely imported from Australia, is second only to rice, but consumer demand for wheat flour products has declined since the rice supply situation improved. Only very limited sales of United States flour have been made to Ceylon in recent years, partly because Australia enjoys Commonwealth preference in its trade with Ceylon. In recent years the United States has been the principal supplier of imported tobacco to Ceylon, but a 1953 trade agreement with India providing for concessional rates of duty has apparently increased that country's share of the Ceylon tobacco market at least partly at the expense of the American product. Largely because of higher prices for certain exports commodities, principally tea, Ceylon's foreign exchange position showed substantial improvement in 1954.

The 1954 harvests in Nepal are expected to be below the levels of last season. Widespread floods during the past summer resulted in considerable destruction and damage to crops. In consequence the United States Government supplied some food and other aid for the affected population. Normally, Nepal's foreign trade in agricultural, as well as other commodities, is negligible. Because of poor 1953 crops in Afghanistan the United States also supplied some foodgrain aid to that country in 1954. As far as is known, 1954 harvests were somewhere near normal.

Southeast Asia

Southeast Asia is the world's principal supplier of rice, rubber, copra and abaca. Production of these crops in 1954 was about the same as for 1953 except for abaca, which declined slightly.

In the 3 great rice exporting countries of Southeast Asia --Burma, Thailand, and Indochina -- total 1954-55 production is estimated at 14.4 million short tons, milled basis, compared with 15.1 million last year, and 13.8 million tons prewar. Production is expected to drop significantly in Indochina in keeping with a smaller planted area. Drought in Thailand resulted in a smaller harvested acreage and a drop in total production. With some increase in acreage in Burma, the 1954-55 crop is expected to be slightly higher than in the previous year. These 3 countries will have about 4 million short tons of rice for export, about 3.3 million from the 1954-55 crop, and the balance as carry-over from previous crops. Some of this old crop rice has deteriorated to the extent that it can no longer be sold for food. Marketing difficulties encountered during the year resulted in an unusually large carry-over at the end of 1954.

Burma and Thailand have up to 1 million tons more of rice to market abroad during 1955 than they actually exported in 1954. Recently, these countries have shown a willingness to accept lower prices in order to step up exports. Consequently, United States rice exporters will probably face more competition from this area than last year. In both countries, lower prices received for rice exports have meant less foreign exchange for imports and resultant tightening of import controls.

The principal rice crop in Malaya will be harvested in April. Assuming average weather, production should be about the same as the 485,000 tons of the year before. Rice imports during 1954-55 are expected to approximate 500,000 tons or about 20 percent more than the unusually low imports during the previous 12 months.

In the Philippines rice production declined to 2.3 million short tons, milled basis, compared to the all-time record of 2.5 million tons a year earlier. Import requirements during 1955 are expected to be about 100,000 tons. Because of the larger crop last year, rice was not imported. Production of corn is estimated at 914,000 tons, about 17 percent above the previous year. No imports are contemplated. Production of sweet potatoes and cassava was increased somewhat this year. With a lifting of import controls and suspension of a 17 percent foreign exchange tax on wheat flour, it is expected that the full International Wheat Agreement quota of 260,000 tons wheat equivalent will be imported. Sugar production is estimated at 1.4 million tons. This will provide adequate domestic supplies and permit fulfillment of export quotas. Production of copra has recovered from 1953, when output was reduced by typhoon damage, and exports are running significantly higher. Abaca production showed a further decline in 1954, the decrease being attributed to low prices and disease damage.

The balance-of-payments position of the Philippines appears to be somewhat better than a year ago. An increased volume of exports more than made up for substantial declines in prices of major export products, while imports were maintained at about the same level as in the previous year. The United States' share in both exports and imports showed significant declines in about the same proportions during 1954, while trade with Japan and North-western Europe increased.

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In Indonesia production increases were registered for each of the major food crops. The 1954 rice harvest, now expected to be the largest on record, is estimated at 8.3 million tons, milled basis. Imports are expected to approximate 200,000 tons. Sugar production during 1954 increased by 16 percent to 794,000 tons, and exports will probably increase accordingly. Production of copra is expected to be about the same as a year earlier. Coffee production is expected to be less than in 1953. Tobacco production is estimated at 140 million pounds, a major increase over last year, but still significantly below prewar.

Both exports and imports declined in 1954, and as a result of import controls imposed during the year, a favorable balance of trade may be registered for the year. Both export and import trade with the United States fell sharply, while trade with Asian countries increased somewhat. Japan replaced the United States as Indonesia's leading supplier.

Northeast Asia

In Japan production of the 4 major foodgrains (rice, wheat, common barley, and naked barley) was 10 percent above prewar and 15 percent more than in 1953. The Government has revised its 1954-55 food supply program to provide for increased consumption of wheat and barley. Grain imports in the Japanese fiscal year April 1954--March 1955 are expected to be as follows: rice 1.1 million tons, wheat 2.5 million, and barley .8 million tons. Imports in the previous fiscal year were 1.4 million, 1.9 million and .85 million tons, respectively. Cotton imports are scheduled at about 2.1 million bales, 16 percent less than the previous year. Production of soybeans is estimated to equal last year's crop, and imports are scheduled at 670,000 tons, of which the United States is expected to supply over 500,000 tons.

Implementation of the Japanese austerity program announced late in 1953 has resulted in a softening of prices and a slight reduction in industrial activity. Exports increased sharply in 1954 and imports fell off after the heavy inflow of foodstuffs during the first half. The foreign exchange situation has improved somewhat; its future will depend on what measures will be taken to offset the expected decline in special dollar earnings.

Production of rice in Taiwan in 1954 is slightly above last year's all-time high of 1.8 million tons, milled basis, and a further increase is planned in the coming year. About 70,000 tons of milled rice were exported in 1954 compared to 65,000 tons in 1953. Some 300,000 tons are reported as available for export in 1955. Sugar production in 1954 amounted to 700,000 tons -- about one-third less than in 1953 and exports are expected to decline accordingly. Food consumption continues at a relatively high level, 2,340 calories per person per day and is exceeded in Asia only by the Philippines.

In South Korea in 1954 a rice crop of 2.4 million tons was indicated, slightly less than a year earlier, while production of other grains was somewhat greater than in the preceding year. Plans to export 135,000 tons of rice and import additional supplies of cheaper grains in 1954 did not materialize. Food plans for 1955 provide for imports of 60,000 tons of relief grain, and an additional unspecified amount of imports of the cheaper grains to replace equivalent amounts of Korean rice to be exported. The supply of rice from the 1953 and 1954 crops available for export is expected to be at least 165,000 tons.

Following the harvest of a record wheat crop in the early summer of 1954, Mainland China suffered the ravages of the heaviest flood in nearly a century. Chinese news releases claim that because of flood control works undertaken by the present Government and emergency action during the summer, less damage occurred than during the great flood of 1931. It seems likely, however, that over-all production of food, and particularly of rice, was less than in 1953.

Distribution of foodstuffs is controlled by the Government, and, despite a growing population, now estimated at 580 million, considerable quantities are exported to finance the importation of industrial equipment and raw materials. About 300,000 tons of rice were shipped to Ceylon in 1954 and 35,000 tons to Japan. Japan also imported 120,000 tons of soybeans from China. Additional amounts of foodstuffs move in unknown quantities to the Soviet bloc of countries. There are some indications that the government plans to maintain the level of exports during 1954-55 despite generally smaller supplies from production.

WESTERN, CENTRAL AND SOUTHERN AFRICA

The year 1954 was the second successive one of favorable weather conditions in large parts of Africa south of the Sahara. Although the important peanut crop of French West Africa and the coffee crop of Angola are reported to be down as a result of insufficient rainfall, the region as a whole should have larger exportable surpluses of oilseeds and vegetable oils (other than peanuts), coffee, cocoa, rubber and cotton in 1954-55 than in 1953-54. Several areas in British East Africa and South Africa, which normally are about self-sufficient in foodstuffs, have sizable quantities of corn and other foods for export during the 1954-55 season.

Basic food supplies in the Union of South Africa, except in the case of wheat and beef, were more than adequate in 1954, in contrast with shortages in 1953. Beef was seasonally short. South Africa usually requires about 30 million bushels of wheat annually, of which it produced in 1954 only about 17 million, slightly less than in 1953. However, it has an export surplus of corn of 43 million bushels, after making adequate provision for reserve stocks. This is the result of two favorable seasons, plus a recently established hybrid corn program. Fluid milk production is expected to be adequate this year to meet domestic demands. Butter and cheese production was in excess of requirements for the 1953-54 season, and approximately 3.9 and 2.3 million pounds, respectively, were exported.

South Africa's citrus crop and exports, principally to the United Kingdom, were slightly less in 1954 than in 1953. Deciduous fruit exports showed a slight increase. Canned fruit exports increased 24 percent for the first 9 months of 1954. The kaffircorn crop was adequate in 1953-54.

Agricultural production in the Federation of Rhodesia and Nyasaland, established in October 1953, has increased eightfold in value since 1938, of which tobacco constitutes about half of the total. A moderate surplus of corn was produced for the first time in 1954. There have been two favorable seasons of rapidly increasing production of hybrid corn, guaranteed prices, and extended use of improved farm management and planning practices, including conservation. Official sources predict that supply and demand for corn will continue to be delicately balanced over the next few years because of increasing demand as a result of population increase and urban and industrial development.

The Federation will continue to be a substantial importer of beef, dairy and other animal products, flour, and canned foods. It has been officially forecast that the Federation within 6 years will have an annual

shortage of 123,000 head of cattle for slaughter, even if the presently planned expansion is effected. It is self-sufficient in pork, however, and recently began to export moderate quantities of high quality carcasses to Britain. A significant postwar development has been the steadily increasing production of peanuts, primarily for home consumption and, to some extent, for export.

Basic food supplies in 1954 in Tanganyika, Kenya, and most other eastern areas of Africa, are above those of 1953, when several areas experienced shortages due to drought or floods. Kenya will have an estimated export surplus of corn of 30 million bushels, which will probably have to be exported at less than the domestic guaranteed price of \$1.53 per bushel. Tanganyika's corn marketings for 1954 are officially estimated at 21 million bushels compared with 9 million bushels in 1953. Beans, millet and grain sorghum are adequate for present needs in the region. Kenya has resumed the export of butter to the United Kingdom. Increased marketings of cassava in Tanganyika are an indication of increased food supplies, since this root crop in many African areas sometimes remains unharvested for as long as two years as a reserve against famine.

Higher prices for coffee and moderate increases in production in 1954, coupled with ending of British bulk purchase agreements for coffee at lower prices, are having a marked effect upon the economy of Tanganyika, Kenya and Uganda. The value of Kenya's coffee exports now constitute more than one-third of its total exports, replacing sisal as the principal export. Coffee is the second most important export crop in Uganda, and also the second in Tanganyika after sisal. Preliminary indications are that there will be a moderate further increase in production of coffee in these countries in 1954-55 -- probably the largest crop on record.

In Ethiopia 1954-55 harvests are expected to equal or exceed recent years, as rainfall has been more favorable than normal throughout much of the country. Despite the use of primitive agricultural methods, the ample land resources normally make possible the production of sufficient food to meet the people's needs, plus a surplus for export. The 1954-55 harvest of coffee, the country's leading export, is expected to be the largest on record and to total around 750 thousand bags. Due in large part to high prices received for coffee exports the country has a very favorable trade balance. In 1955, as in the past, agricultural imports are expected to consist largely of cotton and sugar.

Food production in the Belgian Congo is virtually enough to meet normal requirements, although the diet, as in most other African countries, is low in protein foods. The basic foods are cassava and bananas. Food imports are confined principally to flour, some livestock products and fish,

chiefly for the limited European and urban population. Agricultural exports consist mainly of palm oil, palm kernels, cotton and coffee. French West Africa, French Equatorial Africa, and Angola also produce nearly all of the food they consume. Angola's chief export is coffee, and that of French Equatorial Africa is cotton. About four-fifths of the value of exports from French West Africa is derived from fats and oils, mostly peanuts and peanut oil, and from coffee and cocoa.

Most of the agricultural export surpluses of the Belgian and French territories are taken by their mother countries. More than half of Angola's coffee exports in 1953, however, went to the United States. In the same year, the United States furnished practically all of Angola's flour imports, and the largest part of the Congo's. United States agricultural exports to French West and Equatorial Africa are very small.

The British West African countries produce the basic food needs of their population, except for those urban and coastal areas with higher living standards and increased income from cocoa, coffee, bananas, palm oil and kernels, and other tropical export commodities.

The significantly larger imports since 1950 by the Gold Coast of flour, canned milk, canned meats, canned and dried fruit, confectionery, margarine and butter, are largely the result of increased income from the rise in cocoa prices. In 1953, 26 percent of Gold Coast imports consisted of food, drink and tobacco. Nigeria's agricultural imports were much less significant per capita, partly because of the more diversified agricultural economy, and were limited chiefly to grain flour, fish, canned milk and confectionery and bakery products. In both countries there were also significant increases in imports of unmanufactured tobacco, and in the production of leaf tobacco in Nigeria.

Cocoa now constitutes two-thirds of total exports of the Gold Coast, and more than one-third the value of total exports of Nigeria. United States agricultural exports to these two countries are almost entirely limited to tobacco and flour.

In Liberia the production of rice, the staple food of the country, has increased steadily from 2 million bags in 1951 to over 4.5 million bags in 1954; imports in the corresponding period to supplement the diet dropped from 9.7 million to 0.1 million bags. The local consumption of rice has increased. Production of cassava, a high starch food crop grown for local consumption, increased slightly to 135,000 tons in 1954. Palm kernel production reached a new high in 1954, when some 18,000 tons were exported, and is expected to increase considerably during the next 5 years.

Liberia maintains a favorable balance of trade. Rubber, the country's chief export, reached an all-time high 1954 of over 73 million pounds, most of which went to the United States.

OCEANIA

Both Australia and New Zealand are making important adjustments in their agricultural production and marketing programs.

Production: Australia's agricultural output is expected to be about the same in 1953-54 as in 1952-53, with the exception of wheat. Because of drought in New South Wales and Western Australia the latest government estimate for wheat production is about 20 percent below last year's crop of 199 million bushels. Recent information indicates that carry-over stocks on December 1, 1954 may be about 92 million bushels compared with 38 million bushels on December 1, 1953. The wheat farmers have agreed overwhelmingly to a new wheat price guarantee plan based on cost of production. The estimate for the 1954 barley crop is 29 million U. S. bushels. For oats the crop is estimated at 35 million U. S. bushels.

The countrywide yields of apples, raisins and prunes are expected to be average for the next crop, apricots slightly below, and pears and peaches above average.

The production of whole milk, butter and cheese are all significantly above last year's level. Wool production in 1954 was 1,300 million pounds, slightly above the previous year. Butter is still the key dairy product for Australia, using nearly two-thirds of total milk production, and the United Kingdom is the chief export market.

The effect of the drought upon meat output in Australia is considered to be relatively minor. The effect in New South Wales upon cattle is being avoided by moving stock to other pastures and by supplementary feeding. Sheep and lamb numbers have recovered from the disastrous drought years of 1946-47. The effect of drought upon meat output has been decreased by the increased acreage of improved pastures, higher carrying capacity, increased use of superphosphate and trace elements, and other improved farming practices, particularly in Queensland and other eastern and southern parts of Australia.

Trade Outlook: Although the United Kingdom cancelled its bulk purchase meat agreement with Australia in 1954, a minimum price agreement has been substituted which runs until September 30, 1967. This agreement provides that the United Kingdom will make a deficiency payment if the average price realized for Australian beef, mutton and lamb in Britain falls short of an agreed minimum percentage of the average price for the 1954-55 season.

Australia has joined with Denmark and New Zealand in establishing a Butter Council in London to endeavor to increase the British consumption of butter in competition with the new brands and grades of margarine. The dairy industry in Australia has been faced with high costs of production and decreased per capita domestic consumption. A loss of about 11 cents per pound has been incurred on butter exports to the United Kingdom, which has been subsidized by the Australian Government. Australia has a new agreement with the British Ministry of Food for dried fruit, which provides that the Ministry

will pay the Australian Government for any deficiency between the realized price in Britain and the agreed support level, less certain shipping and handling charges.

The demand and price for wool continued strong through June 1954, but the September auctions opened with prices 10-15 percent lower and fluctuated downward through mid-November. Since that time there has been a tendency for prices to become firm.

Production: New Zealand's production, while tending slightly upward in 1954 is beginning to show indications of reaching a temporary ceiling. Meat production in the 1954-55 season is expected to show only a moderate increase. Meat production in 1953-54 totaled 1,330 million pounds, compared with the record total of 1,350 million in 1951-52. Beef production in the 1953-54 season increased to 410 million pounds from 360 million in 1952-53, with a corresponding increase in beef available for export. Greater emphasis is being placed on chilled beef, particularly with the purpose of supplying high quality beef to the United Kingdom market throughout the year. Establishment of a price support scheme for New Zealand meat has been postponed.

Butter production in 1954 probably will be close to the 445 million pounds produced in 1953-54; cheese production will probably be less than 240 million pounds compared with 246 million in 1953-54.

New Zealand's apple production in 1954-55 is estimated at 2,936,000 bushels which is slightly higher than the last 6-year average. Exports to the United Kingdom for the first 9 months of 1954 were 380,000 bushels compared with 360,000 for the same period of 1953.

New Zealand is normally dependent on large imports of wheat, chiefly from Australia. Production in 1954-55 probably will be less than half the total annual requirements of 12 million bushels. There is a domestic guaranteed price to New Zealand growers of \$1.52 per bushel.

Trade Outlook: While Denmark and Australia renewed their bulk dairy contracts with the United Kingdom at somewhat lower prices, New Zealand decided in July 1954 to cancel its contract. However, in September the New Zealand Dairy Products Commission announced for the 1954-55 season reductions in the guaranteed prices to producers of butter and cheese to assist the industry in a transition to lower export prices and to place New Zealand in a better competitive position. This is the first reduction since the guarantee was announced 18 years ago.

The future of New Zealand's butter production depends greatly upon its ability to deliver and sell in the United Kingdom market in private channels in competition with Danish and Australian butter, as well as in competition with cheaper margarine.

SITUATION BY COMMODITIES

GRAINS

Production: World grain production in 1954-55, although somewhat below the preceding year's large outturn, remains on a high level. Wheat and corn production each were below the past two seasons but above both the prewar and postwar average. The estimates indicate a record barley crop, a rice crop 2 percent below the record of 1953-54, and oats and rye crops larger than in 1953-54.

The reduction in the world wheat crop is primarily the result of smaller crops in the United States and Canada. Production in Europe is near the 1953-54 high level but the quality is poorer. The decrease in the world corn crop reflects a smaller United States crop. Conversely the record world barley crop this year may be largely attributed to a sharp increase in United States production. The rice crop is slightly below 1953-54 in both the surplus-producing and major importing countries.

Carry-in stocks of breadgrains into the 1954-55 season were larger than a year earlier. The beginning stocks in the 4 principal exporting countries were larger by about 16.5 million short tons. That substantial gain more than offset estimated declines in stocks in importing countries. Rice stocks also were larger than a year earlier. Coarse grains in the exporting countries appear to have been about 4.5 million short tons more than a year earlier.

Supplies of bread and coarse grains in the exporting countries are ample to meet import requirements in deficit areas. Total import requirements of bread grains are expected to be somewhat larger than in 1953-54 and the requirements for coarse grains may be about the same, or slightly larger than a year ago. The export availabilities of rice continue at high levels; however, there is still an active demand for good-quality rice.

Price Movements: Prices for grain which moved in international trade generally declined during the past season (July 1953-June 1954). The maximum IWA price for wheat is \$2.05 per bushel, and the minimum \$1.55 per bushel. Wheat sales under the agreement are now near or below the mid-point of this range. Export rice prices changed little during the first half of 1953-54 but declined during the latter part; Burmese quotations declined from about \$7.50 per 100 pounds at the beginning of the season to \$6.25 at the end. Prices of corn and other feedgrains also declined somewhat, with Argentine corn being quoted c.i.f. Liverpool on February 1, 1954 at the equivalent of \$1.98 per bushel and at \$1.75 or slightly lower toward the end of 1953-54. Domestic prices in importing countries are generally determined by domestic price support measures and are not necessarily related to import prices.

Breadgrains: World wheat and rye production in 1954-55 is estimated at 216 million short tons, compared with the previous season's crop of 259 million short tons, and the postwar (1945-49) average of 218 million. Rye usually accounts for less than one-fourth of the total breadgrain production but is important in the food supply of many areas, particularly Northern and Eastern Europe.

Wheat: The 1954-55 world wheat crop, estimated at 6,790 million bushels, is 6 percent below 1953-54, but is 13 and 16 percent, respectively, above the prewar and postwar average. Production in most major exporting countries is below 1953. Export availabilities in such countries, however, are at high levels because of large carry-overs. Large crops again were harvested in most major importing areas but the quality of the crop, particularly in Europe, was poorer than usual, thus tending to increase import requirements. Also, stocks in some of the most important importing countries were relatively low at the beginning of the 1954-55 season.

In North America, the largest surplus producing area, the crop is down 29 percent from 1953. The United States and Canadian crops are 210 and 315 million bushels, respectively, below 1953. The Canadian crop is also of very poor quality, much of it destined to go into feed channels. The 1954-55 supply in the United States is the largest of record despite reduced production. The forecast for the 1954-55 South American crop of 360 million bushels is somewhat above the previous year but below the large 1952-53 crop. The Argentine crop is forecast at 260 million bushels, which would be 14 percent above production last year.

Production in Europe is estimated at 1,730 million bushels, about the same as last year. Adverse weather in Europe appears to have affected the quality of the crop to a greater extent than the quantity. France reports a record crop of 386 million bushels and Spain's outturn of 180 million bushels is the largest since the Spanish Civil War. Conversely, the crops in Western Germany and especially Italy are below 1953 largely because harvesting losses were heavy. Production in the Danube Basin is smaller than in 1953, mainly because of unfavorable fall weather which interfered with seeding, a very late spring and drought in Yugoslavia during the 1954 growing season. The Australian crop is expected to be somewhat below 1953-54.

Wheat Supplies Available for Export: The quantity of wheat available for export from the 4 principal surplus-producing countries (United States, Canada, Argentina, and Australia) are substantially larger in 1954-55 than the 684 million bushels exported by these countries in 1953-54. The record United States supply of 1,862 million bushels consists of a crop of 959 million bushels and record carry-in stocks of 903 million bushels. Canadian supplies of 886 million bushels, although below the very high level of a year ago, are still more than ample to meet any foreseeable demand from importing areas. Australia had a large carry-over from the preceding season and Argentina's crop, together with the carry-over, provides adequate supplies to meet the probable export requirements. For the 4 major exporting countries combined, estimated supplies available for export during October, 1954-June, 1955 and for carry-over into the next season totaled about 2 billion bushels, about 1 percent greater than a year earlier. (See Table A)

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Import Requirements: Total import requirements for wheat in 1954-55 are expected to be somewhat above the previous season, largely because of the poor quality of the crop in Western Europe, the world's major importing area. Asia, the second most important outlet for the world's wheat exports, reports another large crop. Turkey was a rather important exporter in 1953-54 but will be on an import basis in 1954-55. France again has a surplus available for export but the supply includes a considerable quantity of low quality grain.

Present indications point to an increase of at least 5 percent in the total exports of wheat in 1954-55, thus arresting the downward trend in world exports since the record 1,066 million bushel export in 1951-52. United States exports may reach about 250 million bushels compared with 216 million in 1953-54 and Canadian exports will probably remain near last season's level of 288 million bushels.

Argentina's 1954-55 (July-June) exports will probably reach at least 100 million bushels. The 1954-55 crop of 260 million bushels, would be sufficient to provide exports of this magnitude, taking into account the shipments made since July 1954 from old crop wheat. Australia's exports probably will be somewhat higher than the 71 million exported during 1953-54 (July-June), despite a smaller crop, as very large supplies of old-crop wheat are available for export. (See Table B)

Rye: The world's production of rye in 1954-55 is estimated at 1,520 million bushels compared with 1,490 million in the previous year. The crop is about the same as the postwar average but is well below the prewar average. About 95 percent of the crop is normally produced in the Soviet Union and Europe. European rye production, though widespread, shows greatest concentration in Central Europe, with Poland, Germany, and Czechoslovakia normally producing about 70 percent of the continental total. Virtually, all of the remainder is produced in Canada, the United States, Turkey, and Argentina. Rye is relatively unimportant in international trade. (See Table C)

Coarse Grains: The bulk of the world's production of corn, oats and barley, is used for feeding livestock. World production of coarse grains during 1954-55 is estimated at 290 million short tons compared with the all-time record of 293 million in 1953-54 and the prewar average of 260 million tons.

Corn is the most important coarse grain moving into export channels. The 1954-55 world production of 5.5 billion bushels, is about 230 million bushels below the previous crop, but 15 and 4 percent, respectively, above the prewar and postwar averages. The record production of about 6 billion bushels was produced in 1948. United States production in 1954-55 was 238 million bushels below 1953-54, thus accounting for virtually all of the decline in the world crop.

Total United States supplies of corn in 1954-55 of about 3,860 million bushels are approximately 80 million less than in 1953-54 but 300 million above the 1947-51 average. The aggregate supplies of all coarse grains in the United States is at a near-record level. Argentina harvested a corn crop of

about 189 million bushels in the early months of 1954 -- the largest since 1947-48. It is too early for any reliable indication of the size of the crop to be harvested in early 1955. (See Table D)

International Trade in Feed Grains: Exports of feedgrains in 1954-55 should be at least as large as in 1953-54. The aggregate production of feedgrains in Western Europe, the world's largest importing area, is about 7 percent below 1953, which should increase the import requirements in that area. On the other hand, the requirements for barley in Asia, notably Japan and Korea, may not be as large as in 1953-54. Export availabilities of feedgrains in surplus producing countries are fully adequate to meet import requirements, despite reduced availabilities of barley for export from Turkey, Iraq, and several other normally exporting countries. United States exports of barley (and sorghum grains) are expected to be well above the levels in 1953-54 and corn exports should at least approximate the 100 million bushel level of 1953-54. Argentina's exports of corn in 1954-55 (July-June) should considerably exceed the 52 million bushels in 1953-54 in view of the large exports since June 1954 and the expected availabilities from the crop to be harvested in early 1955.

Rice: World 1954-55 rice production in the area outside Communist China, North Korea and the Soviet Union is forecast at 87.9 million short tons, in terms of milled rice, compared with 90 million tons in 1953-54, and the above-average production of 85.3 million tons 2 years earlier. Such information as is available indicated that the Chinese crop was short because of floods in the 1954 season.

The indicated decrease from 1953-54 in the non-Communist area is almost entirely in the rice crops of Asia, as record harvests are in prospect in all other world areas, with the possible exception of Oceania.

Production in the rice-surplus countries is expected to be slightly less than in 1953-54. Declines in the harvests of Asia's exporting countries are partially offset by gains in the Western Hemisphere and Middle East. Rice production in the surplus areas of the Middle East -- Egypt, Iran, Iraq, and Turkey, -- is considerably larger than in 1953. (See Table E)

Trade Outlook for Rice: The 1954 world trade in rice exceeded that of 1953 by at least 10 percent, even though exports were substantially less than total supplies available for export. The volume shipped was the second largest since World War II, and considerably greater than anticipated earlier in the year. Relatively high prices and below average quality for much of the damaged rice offered for export were important factors in the withholding of purchases by some importing countries. On the other hand, long-term contracts in several exporting countries resulted in the exportation of larger volumes.

World exportable supplies of good-quality rice in 1955 show a moderate increase over the amount available at the beginning of 1954. The inability to export all 1953-54 surpluses at existing price levels resulted in large stocks, in addition to the new 1954-55 crop. Thus, exportable supplies for shipment in 1955 will be larger than exports in the preceding year.

Availability of better-quality rice in Burma is about the same as a year earlier. In Thailand, the amount may be less than in 1954. Vietnam's rice harvest may result in average postwar exports of around 200,000 tons. Egypt, Iran and Iraq will have substantially large amounts for export.

Part of the increase in export supplies in countries outside Asia is in carry-over stocks from the 1953-54 crops, since production of that season was not exported to the extent anticipated. The greatest increase in exportable supplies is in the United States, which had the largest carry-over in years and also a record crop. Brazil may have a larger crop than last year when yield per acre was low.

Exportable supplies from Europe may be slightly less than in 1953 though export supplies are estimated to be a record. The surplus in Egypt in 1955 will increase sharply compared with the 3 preceding years, in line with the very large crop outturn. (See Table F)

(TABLE A)

WHEAT AND FLOUR: Exports by major exporting countries, Averages 1934-38 and 1945-49, annual 1950-51 to 1953-54, year beginning July 1.

Countries	: 1934-38	: 1945-49	: 1950-51	: 1951-52	: 1952-53	: 1953-54
	: average	: average				
	: Million	: Million	: Million	: Million	: Million	: Million
	: bushels	: bushels	: bushels	: bushels	: bushels	: bushels
United States...	45	416	365	475	317	216
Canada.....	175	252	221	347	392	288
Australia.....	106	83	127	99	99	71
Argentina.....	122	76	103	30	29	109
Others.....	101	61	121	115	150	150
Total.....	549	888	937	1,066	987	834

1/ Preliminary.

(TABLE B)

WHEAT AND FLOUR: World exports averages 1934-38 and 1945-49, annual 1950-51 to 1953-54 to specified geographic areas.

Destination of World Exports								
Year	:	:	:	:	:	:	:	:
Beginning	:	North Central	:	:	:	:	:	:
July 1.	:	Europe	:	and South	:	Asia	:	Africa
	:		:	America	:	1/	:	Total
	:		:		:		:	
	: % of	: Quantity	: % of	: Quantity	: % of	: Quantity	: % of	: Quantity
	: total:	: total:	: total:	: total:	: total:	: total:	: total:	: tity
1934-38 average:	73	400	15	84	10	54	2	11

Continued

Continued ...

1945-49 average:	61	: 536	: 13	: 114	: 21	: 190	: 5	: 48	: 888
1950-51	55	: 511	: 15	: 145	: 24	: 222	: 6	: 59	: 937
1951-52	50	: 531	: 16	: 171	: 27	: 290	: 7	: 74	: 1,066
1952-53	54	: 531	: 16	: 154	: 24	: 240	: 6	: 62	: 987
1953-54 2/.....	50	: 413	: 15	: 128	: 29	: 245	: 6	: 48	: 834

1/ Includes shipments to Oceania. 2/ Preliminary

(TABLE C)

BREADGRAINS: World production, average 1935-39 and 1945-49, annual 1952-53 to 1954-55, by Continent or area.

	: Average :	: Average :			
	: 1935-39 :	: 1945-49 :	: 1952-53 :	: 1953-54 :	: 1954-55 1/
	: Million :	: Million :	: Million :	: Million :	: Million
	: bushels :	: bushels :	: bushels :	: bushels :	: bushels
<u>Wheat</u>					
North America	1,086	: 1,585	: 2,005	: 1,808	: 1,289
Europe	1,600	: 1,265	: 1,640	: 1,725	: 1,730
USSR	1,240	: 885	: ---	: ---	: ---
Asia	1,498	: 1,525	: 1,605	: 1,725	: 1,735
Africa	143	: 134	: 173	: 193	: 205
South America	281	: 263	: 370	: 330	: 360
Oceania	177	: 183	: 204	: 204	: 170
Estimated world total ..	6,025	: 5,840	: 7,400	: 7,255	: 6,790
<u>Rye</u>					
North America	54	: 35	: 41	: 47	: 37
Europe	766	: 565	: 675	: 635	: 685
USSR	885	: 895	: ---	: ---	: ---
Asia	15	: 15	: 28	: 30	: 17
Africa	1	: 1	: 1	: 1	: 1
South America	11	: 16	: 54	: 25	: 33
Oceania	2/	: 2/	: 2/	: 2/	: 2/
Estimated world total ..	1,732	: 1,530	: 1,675	: 1,490	: 1,520
	: 1,000	: 1,000	: 1,000	: 1,000	: 1,000
	: sh. tons	: sh. tons	: sh. tons	: sh. tons	: sh. tons
<u>Total Wheat and Rye</u>					
North America	34,092	: 48,530	: 61,298	: 55,556	: 39,706
Europe	69,448	: 53,770	: 68,100	: 69,530	: 71,080
USSR	61,980	: 51,610	: 66,500	: 59,250	: 60,000
Asia	45,360	: 46,170	: 48,934	: 52,590	: 52,526
Africa	2,888	: 4,048	: 5,218	: 5,818	: 6,178
South America	8,738	: 8,338	: 12,612	: 10,600	: 11,724
Oceania	5,310	: 5,490	: 6,120	: 6,120	: 5,100
Estimated world total ..	229,246	: 218,040	: 268,900	: 259,370	: 246,400

1/ Preliminary estimates. 2/ Less than 500,000 bushels produced.

(TABLE D)

COARSE GRAINS: World production, average 1935-39 and 1945-49,
annual 1952-53 to 1954-55 by Continent.

Continent or Area	Average 1935-39	Average 1945-49	1952-53	1953-54	1954-55
	Million bushels	Million bushels	Million bushels	Million bushels	Million bushels
Barley					
North America	332	424	525	511	551
Europe	666	600	805	830	805
USSR	425	272	---	---	---
Asia	768	692	787	843	828
Africa	121	107	150	155	150
South America	38	53	80	65	65
Oceania	13	19	39	41	38
Estimated world total ..	2,365	2,170	2,735	2,755	2,790
Oats					
North America	1,384	1,720	1,730	1,627	1,823
Europe	1,608	1,293	1,402	1,443	1,355
USSR	1,165	720	---	---	---
Asia	96	84	111	113	105
Africa	23	20	24	22	23
South America	62	57	98	77	76
Oceania	27	37	58	45	38
Estimated world total ..	4,365	3,930	4,400	4,155	4,345
Corn					
North America	2,435	3,217	3,483	3,383	3,164
Europe	695	560	480	650	605
USSR	170	113	---	---	---
Asia	620	665	725	725	720
Africa	255	265	320	350	330
South America	575	450	455	510	530
Oceania	8	7	5	5	5
Estimated world total ..	4,760	5,280	5,590	5,730	5,490
	1,000 sh. tons	1,000 sh. tons	1,000 sh. tons	1,000 sh. tons	1,000 sh. tons
Total Barley, Oats & Corn					
North America	98,292	127,772	137,804	133,020	130,984
Europe	61,172	50,768	55,192	61,208	57,940
USSR	33,600	21,212	27,360	23,580	26,980
Asia	37,328	36,572	40,964	42,340	41,712
Africa	10,412	10,308	12,944	13,872	13,208
South America	18,004	14,784	16,228	17,072	17,616
Oceania	968	1,244	2,004	1,844	1,660
Estimated world total ..	259,880	262,800	292,560	293,040	290,200

1/ Preliminary

(TABLE E)

RICE (in terms of milled) 1/: Production by principal world areas 2/, averages 1935-36 to 1939-40 and 1945-46 to 49-50, annual 1951-52 to 1954-55

Area	: Average : : 1935-36 : : to : : 1939-40 :	: Average : : 1945-46 : : to : : 1949-50 :	: : : 1951-52 : : : : :	: : : 1952-53 : : : : :	: : : 1953-54 : : : : :	: : : 1954-55 : : : : :
	1,000 short tons					
ASIA:						
Rice Bowl:						
Burma	5,778	3,869	4,577	4,878	4,577	4,656
Thailand.....	3,212	4,013	5,410	4,876	6,060	5,695
Indochina.....	4,823	3,987	4,288	4,389	4,489	4,020
Total.....	13,813	11,869	14,275	14,143	15,126	14,371
Other countries:	56,459	55,394	56,484	61,931	65,061	63,029
Total.....	70,272	67,263	70,759	76,074	80,187	77,400
WESTERN HEMISPHERE:						
United States...	752	1,189	1,534	1,612	1,760	2,069
Other countries:	1,530	3,131	3,513	3,598	3,789	4,037
Total.....	2,282	4,320	5,047	5,210	5,549	6,106
EUROPE.....	802	738	1,099	1,248	1,283	1,311
AFRICA.....	1,687	2,684	2,730	2,683	2,932	2,976
OCEANIA.....	41	71	74	90	94	86
World total.....	75,084	75,076	79,709	85,305	90,045	87,879

1/ Converted from rough rice at 67 percent. 2/ Excluding Communist China, North Korea, and the Soviet Union. 3/ Preliminary.

(TABLE F)

RICE (in terms of milled): Exports from principal world areas,
average 1936-40 and 1946-50, annual 1952-53, estimated
1954, and export supplies, 1955

Area	Average		1952	1953	1954 1/	1955 2/
	1936-40	1946-50				
	1,000 short tons					
ASIA:						
Rice Bowl:						
Burma.....	3,268	1,074	1,462	1,090	1,650	3/ 2,300
Thailand.....	1,460	960	1,574	1,473	1,400	1,500
Indochina.....	1,616	124	240	213	300	200
Total.....	6,344	2,158	3,284	2,776	3,350	4,000
Other countries:	1,936	95	425	564	700	1,200
Total.....	8,280	2,253	3,709	3,340	3,850	5,200
WESTERN HEMISPHERE:						
United States...	118	481	902	875	700	1,250
Brazil.....	12	161	139	3	20	230
Other countries:	47	151	141	185	210	230
Total.....	207	793	1,232	1,063	930	1,710
EUROPE:						
Italy.....	168	91	304	268	240	350
Other countries:	6	10	98	96	80	130
Total.....	174	101	402	364	320	480
AFRICA:						
Egypt.....	138	274	18	1	20	320
Other countries:	17	15	54	54	80	80
Total.....	155	289	72	55	100	400
AUSTRALIA:						
World total....	8,831	3,467	5,442	4,855	5,430	7,800

1/ Preliminary estimate. 2/ Export supplies. 3/ Excludes 300,000 of rice under contract with India in 1954 for shipment in 1955.

SUGAR

The world production and consumption of sugar has more than kept pace with increasing population and stocks are accumulating in spite of drastic restriction in production in Cuba.

Production: World production of centrifugal cane and beet sugar for 1954-55 is forecast at 39.1 million short tons, raw value, 1.1 million tons below the 40.2 million tons produced in 1953-54. An outturn of this size will be the second largest on record and will exceed the prewar (1935-39) average of 28.5 million tons by 37 percent. World production of non-centrifugal sugar is expected to increase to almost 6.6 million short tons during 1954-55, compared with 6.3 million tons during 1953-54. This forecast is 21 percent above the prewar (1935-39) average of 5.4 million tons.

The forecast of cane sugar production for 1954-55 is equal to the record 24.0 million tons produced in 1951-52. Beet sugar production is expected to be 8 percent less than the record 16.4 million tons of 1953-54. The decrease occurred in Europe as a result of adverse weather conditions.

Consumption: Imports of the postwar period indicate that world sugar consumption will be between 37 and 38 million tons. About 3 million tons of sugar were added to carry-over stocks during 1953-54 and an additional 1 million tons or more will be added during the 1954-55 season. This anticipated increase of inventories should occur in the exporting countries of the world as importing nations continue to work off stocks accumulated prior to the calendar year 1954, primarily through special purchases.

The United States is again assured of more than adequate supplies of sugar for the consumption year 1955. Every major source of supply, domestic or foreign, is in a position to fulfill its quota for the United States during the year. While it is expected that Cuba will restrict production in 1955 by 390,000 tons or more, beginning carry-overs for the year increased by a like amount and availabilities for the coming year should approximate those of 1954.

Inventories of sugar remain high in the United Kingdom and British Commonwealth as the exporting areas continue to expand production. Production within the French Union remains close to consumption levels while France endeavors to reduce excess inventories of sugar accumulated during 1953-54. In the Federal Republic of Germany sugar supplies now exceed domestic requirements and this former major importing area is reduced to the necessity of reexporting sugar previously imported from Cuba.

Some relief to world surpluses has been provided by India, which unexpectedly imported 850,000 tons of sugar during 1954.

Outlook: World sugar surpluses in 1953-54 increased by about 3 million tons, and the revitalized International Sugar Council was put to the test in the stabilization of world free market prices which had declined steadily from the postwar peak of 8.05 cents in June 1951 to a postwar low of 3.05 cents in November 1953. Vigorous action by the Council during the first half of 1954 in lowering to a minimum the export quotas for the world free market, and voluntary withholding action by Cuba combined to stabilize world prices at or about 3.25 cents per pound from September 24, 1954 until December. This price for sugar represents the minimum of the price range specified under the Agreement (3.25 - 4.35 cents per pound, f.a.s., Cuban port). However, concurrent with upward revisions in the beet sugar production estimates for Europe, and the supply problems involved under the International Sugar Agreement, the world market price broke in mid-December 1954 and reached a level 10 cents or more under the 3.25 minimum world price.

Centrifugal Sugar (raw value): Production in specified areas, averages 1935-39 and 1945-49, annual 1951-52 to 1954-55 1/ 2/

Area	Averages					
	1935-39	1945-49	1951-52	1952-53	1953-54	1954-55 ^{3/}
	1,000	1,000	1,000	1,000	1,000	1,000
	short	short	short	short	short	short
	tons	tons	tons	tons	tons	tons
United States and Territories	3,951	3,970	4,360	4,392	4,741	4,889
Cuba	3,183	5,897	7,064	4/5,687	4/5,350	4/5,000
Philippines, Republic of...	1,058	382	1,076	1,134	1,416	1,405
United Kingdom and British Commonwealth ...	4,541	4,793	6,013	6,250	6,504	6,697
French Union	1,384	1,006	1,709	1,455	2,203	2,050
Other North America	949	1,307	1,680	1,809	1,909	2,028
Other Western Europe	2,760	2,458	4,344	4,214	5,163	4,430
Eastern Europe including U.S.S.R.	5,686	3,698	5,795	5,055	6,165	5,720
Other Asia	2,801	736	1,529	2,092	1,967	2,021
Other South America	1,905	2,801	3,498	3,900	4,286	4,425
Other Africa	307	374	384	431	484	490
Total Production	28,525	27,422	38,352	36,419	40,233	39,155

1/ Centrifugal sugar, as distinguished from non-centrifugal, includes cane and beet sugar produced by the centrifugal process, which is the principal kind moving in international trade.

2/ Years shown are for crop years; generally the harvesting season begins in the fall months of the years shown or in the early months of the following year, except in certain cane-sugar-producing countries in the Southern Hemisphere, such as Australia, Argentina, Mauritius, Union of South Africa, etc., where the season begins in May or June of the year shown.

3/ Preliminary.

4/ Restricted crop.

FATS AND OILS

World supplies of fats and oils in 1955 are expected to be somewhat below 1954 when record quantities were available from current production and carry-in stocks. Total production 1954 was about in line with a year earlier. However, considerable stock liquidation took place in 1954, particularly in the United States, Argentina and the United Kingdom. Moreover edible vegetable oils available for consumption in 1955 are expected to be somewhat less, mainly because of a sharp decline in the 1954 Mediterranean olive crop. With these exceptions, the general prospects for fats and oils show little change in the pattern established in 1953 and earlier.

The estimated world production of fats and oils in 1954, including the oil equivalent of oilseeds and tree-crop materials grown and harvested in 1954, is just over 27 million short tons. This volume indicates a new record, but the increase over 1953 and 1951 is too small to be significant. It is significant, however, that production in recent years has been about 13 percent above prewar, holding per capita supplies at essentially the prewar level. This is especially apparent when the rapidly increased production of synthetic materials - with their consequent displacement of natural fats - is brought into the fats and oils picture.

FATS AND OILS: World production by type, averages
1935-39 and 1945-49, annual 1951-54

(1,000 short tons)

Type	Average					
	1935-39	1945-49	1951	1952	1953	1954
Edible vegetable oils	7,050	7,295	8,960	8,285	8,920	8,600
Coconut and palm oils	3,660	2,985	3,935	3,785	3,788	3,985
Industrial oils	2,900	3,010	3,060	3,253	3,057	3,105
Animal fats	9,030	8,100	9,760	10,000	10,200	10,330
Marine oils	1,055	595	1,010	985	925	1,020
Total	23,695	21,985	25,725	26,318	26,890	27,040
1/ Preliminary.						

The production of fats and oils in a given calendar year, as estimated here, is to a large degree that which is available for consumption and trade in the following year. Thus, in addition to the animal fats and marine oils actually produced, the total figure for any given year includes less certain allowances for seed, feed, and food uses, as well as losses-the oil equivalent of the oilseed and tree-crop oil materials grown and harvested in the Northern hemisphere, and the oil equivalent of oilseed and tree crops grown in the southern hemisphere whose harvests normally begin before the close of the calendar year.

Edible Vegetable Oils: Production of edible vegetable oils from raw materials produced in 1954 is expected to be about 4 percent less than the output from 1953 crops, due largely to the sharp decline foreseen for olive oil. The outstanding feature of the 1954 olive crop is the very low output expected in Spain, where there was a killing freeze in February 1954, followed by heavy snows in April, and a prolonged drought during the summer and fall.

Cottonseed oil will be down from 1953 because of the 17 percent decrease in cottonseed production in the United States. The outturn of sunflower seed oil will be the smallest of any postwar year. The exceptionally small sunflower seed crop in the Argentine--the smallest since 1937-38--was the dominating factor although the decrease was offset somewhat by a substantial increase in Turkey's production. The most significant increase in the edible vegetable oil category will be in soybean oil. Soybean production was at an all-time high in 1954 as a result of a record crop in the United States and increase believed to have occurred in China-Manchuria. Oil from the 1954 peanut crop may be slightly higher than from the 1953 crop, in which case it would be the largest output of record. The sharp decline in peanut production in the United States and French West Africa was offset by larger harvests in Argentina, Brazil and Mexico and possible increases in India and China.

Coconut and Palm Oils: The outturn of oils in the palm group in 1954 increased from the previous year by possibly 5 percent. Coconut oil production was up substantially with the increase accounted for mainly by the Philippines and to a lesser extent by Malaya. Output in both Indonesia and Ceylon approximated the 1953 level although early indications were that production in Ceylon would be down substantially. Although total production of palm oil was only slightly larger, a significant increase has occurred in palm oil of edible type particularly in the Belgian Congo and Nigeria. Production in Indonesia probably continued at the 1953 level, but output in French West Africa and Malaya may have declined slightly. Palm kernel oil production appears to have been about the same as in 1953.

Industrial Oils: Production of industrial oils from 1954 crops is expected to be up slightly from 1953. This is accounted for largely by the increase in production of flaxseed and to a lesser degree, rapeseed. Larger harvests in Argentina, the United States and Canada were principally responsible for the expansion in flaxseed output. Considerable increase occurred in rapeseed production in China and Sweden but these increases were partially offset by smaller crops in India and Japan. Castor production was possibly above the 1953 level, with the slight expansion in Brazil offset in part by the reduction in United States output. Tung oil outturn from 1954 nut production in the United States is expected to be less than one-third of the previous year while Argentine oil may be down one-fourth.

Animal Fats: Production of animal fats in 1954 was up slightly from the preceding year due to moderate increases in butter (fat content), tallow and greases. Lard production remained about the same as the year before. While there was some fluctuation in production by countries, lard output by area showed no significant changes.

Increased milk production in many countries with little or no gain in fluid consumption channeled more milk into butter manufacture, particularly in Western Europe. The small rise in tallow and grease outturn resulted chiefly from slightly larger production in Canada, Mexico, Western Europe, and New Zealand. Apparent production of both lard and tallow and greases in the United States was about equal to that of 1953. Prospects are that world output of lard, tallow, and greases in 1955 will equal or slightly exceed 1954.

Marine Oils: Marine oil output rose about 10 percent in 1954 with increases occurring in all 3 categories, namely whale oil, sperm oil, and fish oils. While the larger outturn of whale oil in the Antarctic accounted for the increase in that commodity, sperm oil was up mainly because of reportedly heavy whaling off the coast of Peru. Fish oil production increased largely because of a record outturn of herring oil by Norway, the world's major producer. Present indications are that final United States production data will not differ greatly from the year before.

Import Requirements: Import demand for fats and oils is expected to remain strong throughout 1955. The normally deficit countries of Western Europe provide the greatest market, and requirements will be expanded by Spain's import needs following the drastic cutback in olive oil supplies. Increased quantities of soybeans will be taken by Japan and Formosa and tallow purchases will remain heavy. Continued imports are in prospect for Argentina where successive years of short sunflower seed crops created an edible oil deficit beginning in 1954. Chile and other countries formerly dependent on Argentina for supplementary supplies must now turn to the United States and elsewhere to cover deficits.

While India's oilseed crops have been good, exportable supplies have been limited by expanding home consumption. On the other hand, carry-over stocks of peanuts are reported to be the largest in recent years and shippers hope that at least a portion of any new export allotments will be in the form of peanuts rather than peanut oil alone. Neighboring Pakistan needs additional quantities of fats and oils from overseas sources.

Trade Outlook: Export sales from the United States in recent months have been at record levels and are expected to remain nearly as large during 1955.

Soybean exports will probably reach a new peak, and the high rate of cottonseed oil exports established in 1954 should continue as long as stocks are available.

Sharply decreased United States trade is in prospect only in the case of linseed oil where the Commodity Credit Corporation virtually liquidated its large holdings through export channels during 1954. Some export sales during 1955 will be implemented by the Agriculture Trade and Development Act of 1954 and limited aid programs. However, the great bulk of United States exports will consist of commercial dollar transactions.

With some tightening of world supplies through stock reductions and a continued strong import demand, world prices of fats and oils should hold firm around late 1954 levels until new crops are harvested. Individual items can be expected to depart from the general trend within the limits of interchangeability but relative price stability would appear to be in store based on the outlook for supply and markets.

FRUITS

Apples and Pears: The preliminary estimate of the 1954 North American and Western European apple crop is 380 million bushels, compared with 330 million bushels in 1953. Unharvested apples in the northern portion of the United States and Canada were damaged by hurricanes in the fall of 1954. A portion of these damaged apples was salvaged for processing or for immediate sale.

In Europe, the crop of dessert and cooking apples is expected to total 265 million bushels, which will be the largest crop on record. The quality of the European apple crop was lowered by excessive rains. The pear crop, currently estimated at 110 million bushels compared with 120 million last year, is smaller both in North America and Western Europe.

There is a good demand for apples and pears in the European markets. However, the United Kingdom, which is a large market for North American apples, has not issued any license for pears from dollar areas and issued licenses only for 280,000 for the purchase of apples grown in the United States.

Citrus Fruit: The United States early and mid-season orange production is estimated at 71 million boxes, which is 7 percent above last season and 36 percent above the 10-year average (1943-1952). The orange crop in 6 Mediterranean countries — Spain, Italy, Israel, Algeria, Tunisia, and French Morocco — is the smallest in the past 5 years. The orange and tangerine crop in these countries is estimated to be 70 million boxes, which is 20 percent below that of last year. In Spain, the citrus trees are making a slow recovery from the devastating freeze of last February. In other countries there was damage to the fruit by early cold weather and only French Morocco shows an increase in production.

The lemon crop in the producing countries of Spain and Italy is estimated at 9 million boxes, which is 1.5 million boxes less than that of last season. The United States crop at 14.6 million boxes is about 10 percent less than that of the previous season.

The demand for citrus fruit is rapidly increasing as consumer income in Europe expands further. Some countries have made more liberal allowances for dollar purchases of citrus fruit. However, the United Kingdom, one of the more important markets, as yet has not permitted imports of fresh citrus fruit from the United States 1954-55 crop. It is expected that there will be an increased demand for citrus fruit in the European markets this winter and spring.

Raisins: The pack of raisins in the leading world-producing countries is estimated at 1.8 million short tons, which is about 10 percent below that of last season. The demand for dried fruits should absorb the smaller-than-usual available supplies this season.

POTATOES AND PULSES

Potatoes: Potatoes comprise the most important vegetable crop from the standpoint of tonnage and importance in the diet in the European and North American countries. In Europe many potatoes are used for live-stock feed and for industrial purposes.

The Western European potato crop is estimated at 4 percent above the crop of last season. The crop in most countries was harvested under unfavorable conditions. It is below average in quality and it is likely that storage losses will be above average this winter. However, supplies probably will be adequate to meet all European food requirements. The North American potato crop is smaller than the large crop of last season. The Canadian crop is slightly below normal needs for the country and they are likely to become a net importer rather than a net exporter this season. There is an increased demand for United States potatoes in Canada, but there is little or no trade between North American and European countries.

There are no available estimates on planted acreage in the Southern Hemisphere countries.

Pulses: The 1954 bean, pea, and garbanzo crops in the Northern Hemisphere are estimated to be 4, 3, and 13 percent, respectively, larger than in 1953, while lentils show no change. No composite world estimate has been made of the quantity of these crops produced in 1954-55, but the above percentage increase applied to the 1953 estimates give totals of 120 million bags of beans, 20 million bags of peas (exclusive of China), 6 million bags of lentils, and 13 million bags of garbanzos (exclusive of India and Pakistan). China alone has produced as much as 60 million bags of peas, and India and Pakistan as much as 115 million bags of garbanzos in recent years.

The quality of the bean and pea crops has been damaged this year in several areas, due to unfavorable harvest weather. Indications are that the usable supply may be less than a year ago. Most of the reported damage to beans occurred in Northern Europe, in North America, mostly eastern United States and Canada, and in certain areas of Central America. No extensive damage has been reported in Southern Europe, where most European beans are produced.

The pea crop was damaged in the larger producing areas of Western Europe and western United States. The reduced supply of both beans and peas, particularly of peas and white and red kidney beans, is reflected in advancing prices. In the United States, prices of peas have advanced materially since the 1954 harvest began, and the demand for exports has been unusually strong. Prices of Great Northern and pea beans are from 25 cents to 75 cents per hundred pounds higher than the level in early harvest time;

prices of white beans in Europe have advanced as much as 75 cents to \$1.00 per hundred pounds in the past several months.

The bean and pea harvest in the early calendar months of 1954 in the Southern Hemisphere countries was slightly larger than in the previous year. The increase, however, was mostly a reflection of the estimate from Brazil which is the largest producing country in that Hemisphere. Most of the countries in the Southern Hemisphere producing small quantities of beans indicated about a normal harvest in 1954.

No garbanzo production has been reported in the Southern Hemisphere, and only Argentina and Chile report any appreciable production of lentils. The combined 1954 harvest of lentils in Argentina and Chile of 1.1 million bags was 17 percent larger than the previous year.

Foreign inquiry in the United States for exports of peas began early this season and has been stronger than usual. The outlook for bean exports, while not as optimistic as in recent years, when Mexico was taking large quantities of pinto beans, is still good.

The principal export market, Cuba, gives promise of taking a maximum quantity and consumption has been increasing in several European countries. The European market would absorb about double the recent level of imports (3.5 million bags) if consumption were to return to prewar levels in all countries and domestic production were to be maintained at present levels.

MEATS

Livestock Population: The world's total livestock population continues to increase. Both cattle and sheep were more numerous at the beginning of the year, but for cattle the rate appeared to be tapering off. Hog numbers decreased during 1953, but reversed the previous trend in 1954 in many important countries notably in the United States, Canada, and Western Europe.

Production: Meat production in 1954 was 3 percent larger than in the previous year, and was 23 percent above the 1946-50 average. It was 22 percent higher than prewar (1936-40). The per capita outturn is about equal to prewar and about 10 percent greater than the 1946-50 average. Most of the increased meat production in 1954 occurred in North America and Western Europe. Production declined further in South America and increased slightly in Oceania and the Union of South Africa.

Prospects are that meat production in most of the major areas in 1955 will equal or slightly exceed 1954. The traditional surplus meat producing countries, New Zealand, Australia, the Netherlands, Denmark, France, Canada, Ireland, Argentina and Uruguay will produce more meat in 1955 as a result of increased numbers of hogs for most Western European Countries and increased number of cattle for South America and Oceania. The deficit countries, the United Kingdom, Western Germany, Belgium, Italy, Greece, Cuba, Central America, Caribbean Islands and the Union of South Africa will continue to be deficit areas and their importation of meat will depend upon their economic condition.

Consumption and Trade: Consumption in 1954 continued at relatively high levels in North America, Australia and the Middle East, but declined in a number of South American countries. Consumption in New Zealand continued to decrease, as a result of high prices, even though production continued large.

The United Kingdom is the principal import market, taking 70 percent of the meat entering world trade. Meat imports in 1954 into the United Kingdom were 7 percent less than in 1953 and 24 percent below the 1938 level. The heaviest reduction was in mutton and lamb, but beef and bacon also declined. On the other hand receipts of fat cattle were more than double the comparable 1953 figure. Despite decontrol, which was expected to bring about an increase in the importation of meat, increased home production coupled with large stocks and increased receipts of fat cattle, had discouraged the expected large imports of meat from abroad.

As a result of subsidy payments and price supports, hog production and slaughter in the United Kingdom have established high levels each year. Hog slaughter during 1954 was estimated to be 25 percent greater than during 1953 and a moderate increase is expected in 1955.

The export of pork products, in 1953 and 1954, especially of hams, increased substantially from Poland to Western Europe and the United States.

MEAT: WORLD PRODUCTION, BY CONTINENTS OR
AREAS, AVERAGES 1934-38 AND 1946-50,
ANNUAL 1952-1954 1/

Area or Continent	Averages		Annual		Annual 1954
	1934-38	1946-50	1952	1953	
	<u>Mil. Lbs.</u>	<u>Mil. Lbs.</u>	<u>Mil. Lbs.</u>	<u>Mil. Lbs.</u>	<u>Mil. Lbs.</u>
North America	18,600	25,800	26,600	28,200	29,300
Europe	28,800	20,200	26,900	28,000	28,900
USSR <u>2/</u>	7,100	<u>3/</u>	<u>3/</u>	<u>3/</u>	<u>3/</u>
South America	8,400	10,100	9,900	9,400	9,600
South Africa	670	920	930	1,000	800
Oceania	3,200	3,300	3,600	3,800	3,800
Middle East <u>4/</u>	<u>1,100</u>	<u>3/1,200</u>	<u>3/1,400</u>	<u>3/1,300</u>	<u>3/1,300</u>
Total <u>5/</u>	68,000	67,000	77,400	80,400	82,700

1/ Carcass meat excludes offal, lard, rabbit and poultry meat.

2/ Prewar territory.

3/ Estimates included in the total.

4/ Includes Egypt, Turkey, Iraq and Iran.

5/ Total for 41 countries which produce around 93 percent of the world output, exclusive of China.

MILK AND DAIRY PRODUCTS

Production: Milk production in 1954 has been estimated to be slightly above the estimated production of 523 billion pounds for 1953. Most of the production was in North America and Western Europe, which together account for two-thirds of the world's production.

Milk production in North America was about 3 percent above 1953, but in many European countries, including Denmark, Western Germany and the Netherlands, production was slightly less; in the United Kingdom it was well maintained. The slight increase in Australian production was not enough to offset the decline in milk output in New Zealand and Oceania's production is below that of the preceding year.

Prospects for 1955 indicate that milk production will be slightly larger than in 1954 in most of the major dairying areas. In the United States the production in 1955 is expected to be about the same as the 124 billion pounds estimated for 1954 although production per cow is likely to be greater.

The total cattle population in 15 Western European countries increased by 8.7 percent over prewar with milk cows at 11.3 percent more than the prewar numbers. Milk production per dairy cow increased from 4,488 pounds in the prewar period to 5,280 pounds in the past year, an increase of 17.6 percent.

Consumption and Trade: The per capita consumption of milk and dairy products in the world as a whole has not changed materially in the past few years, but the downward trend of prices has encouraged increased consumption of butter and cheese both in North America and Western Europe and the prospects are for greater consumer purchases in 1955. In general, the consumption of milk and dairy products in most Western European Countries is still far below the prewar level, because of the decline in butter consumption. Stocks of dairy products in terms of whole milk increased during 1954.

International trade in butter and cheese was greater in 1954 than in 1953. The rise in butter exports took place from Continental Europe and Argentina, but Commonwealth Countries accounted for much of the expansion in cheese exports. The United Kingdom, although to a lesser degree, has remained the largest market for butter and cheese. The emergence of the Soviet Union and other countries of Eastern Europe as substantial importers has somewhat changed the established pattern in the marketing of butter. The Soviet Union received shipments of butter totaling about 90 million pounds both in 1953 and in 1954. It is expected that the Soviet Union will continue to be an important factor, influencing the marketing of butter as well as beef. France has a surplus of butter which it is attempting to move into export markets under an export subsidy arrangement.

The rise in world milk production in 1954 was reflected in an increase in butter output to a total of 8.8 billion pounds. In 1953 about 8.5 billion pounds were produced compared with a prewar (1934-38) outturn of 9.6 billion. The expansion was mainly in North America and Europe, since in both Australia and New Zealand production was only slightly above 1953. Exports of butter and cheese by Australia and New Zealand have been heavier in 1954 than in 1953, with increasing amounts of New Zealand butter going to Soviet Russia, Czechoslovakia and Western Germany. The well maintained level of butter production has taken place in the face of increasing competition from margarine, the output of which increased from less than 3 billion pounds in 1938 to nearly 5 billion in 1953 in a group of 11 countries for which data are available. Cheese production in 1954 in the principal countries of the world was 5.0 billion pounds, slightly more than in the previous year. The increased production was registered mostly in the United States. There has been little change in cheese production in other countries although in the United Kingdom the record output was more than double that of 1938.

In nearly all countries the importance of milk and its products in the income of farmers is reflected in the various measures of control which the Governments have adopted in respect to prices, marketing and trade. In some cases, controls have taken the form of actual determination of producer prices as in the United Kingdom. In others, purchases at fixed support price of certain milk products have the effect of keeping producer milk prices at the desired level. Other measures include the quantitative regulation of imports, sometimes by state-controlled monopolies, import duties and the storage under Government control or by official agencies of quantities of butter in the flush season for resale later in the year.

Milk: World Milk Production, Average 1934-38, Annual 1950-54, by Continent or Area

Area or Continent	Average :1934-38	: 1950	: 1951	: 1952	: 1953	: 1954
	Mil.lbs.	Mil.lbs.	Mil.lbs.	Mil.lbs.	Mil.lbs.	Mil.lbs.
North America	132,000	152,000	151,000	150,000	157,000	162,000
Western Europe	170,000	176,000	180,000	179,000	191,000	192,000
Eastern Europe	130,000	97,000	97,000	96,000	96,000	96,000
Middle East)						
Far East)	30,000	30,000	30,000	30,000	30,000	30,000
North Africa)						
South America	13,000	17,000	16,000	18,000	20,000	21,000
South Africa	4,000	4,000	4,000	4,000	4,500	4,500
Oceania	22,000	23,300	22,400	23,200	24,200	23,700
World Total	501,000	499,300	500,400	500,200	522,700	529,200

COFFEE

Production: World production of green coffee for the marketing year 1954-55 is forecast at 41.8 million bags of 132.276 pounds each, compared with 41.7 million bags in the previous season and the prewar average of 41.6 million bags.

Of the total 1954-55 production, an estimated 33.7 million bags will be available for export, or slightly less than the 33.8 million bags of last season. Decreased output in Brazil and Asia again have been offset by increases in other producing areas. World exportable production appears adequate to meet world import requirements during 1954-55 at lower average prices than in the preceding year.

In Brazil, following the frost of July 1953, total production for 1954-55 declined to an estimated 18.0 million bags, or almost 1.2 million bags less than in 1952-53. However, as a result of the current decline in United States takings, exports from Brazil have declined to a postwar low since early spring. Coffee stocks in Brazil on September 30 reached an estimated 10.1 million bags, compared with less than 6.8 million bags on September 30, 1953.

Record crops are forecast for most producing areas of North America, Africa, and South America (excluding Brazil and Venezuela). The high price of coffee has either stabilized or induced a decline in the domestic consumption of most of the producing countries. Thus, current increases in total production represent effective increases in production for export only.

Consumption: A substantial decline in world exports is anticipated for 1954-55. World importing nations purchased beyond average domestic requirements during 1953-54 and accumulated stocks were subsequently depleted during the summer in lieu of imports at normal levels. Consumption has declined as a result of consumer resistance to high prices. The decline has been intensified through the increased usage of soluble coffee, coffee substitutes and other beverages.

Outlook: The outlook for increased coffee supplies appears very favorable. With current world coffee production exceeding current world requirements, world coffee reserves for the first time in many years should expand during 1954-55. Higher prices since World War II have induced substantial increases in acreages and trees in most coffee producing areas of the world. These acreages and trees have begun to produce and the coffee from them will continue to widen the gap between requirements and supply in the future. Improved cultural practices have increased yield on existing acreages in many producing areas. The frost-blighted trees in Parana, Brazil are recovering from the effects of the July 1953 frost and should be in production by 1956.

CACAO

Production: World production of cacao beans in 1954-55 is expected to be about 1,782 million pounds compared with 1,587 million produced in 1953-54 and the prewar average of 1,580 million pounds.

Production in Africa of 1,100 million pounds accounted for 62 percent of world supply and was 83 million pounds above 1953-54, but did not reach the 1,136 million pounds produced in 1952-53. Each of the principal producing countries of Africa with the exception of the French Cameroons and Equatorial Africa showed significant increases. Central and South America supplied 37 percent of world requirements. In these countries the 1954-55 production surpassed 1952-53 and 1953-54 production by 30 and 20 percent respectively. There were no decreases in any of the major producing areas, and significant increases appeared in Brazil, Ecuador and the Dominican Republic.

Consumption: The United States, the world's largest consumer of cacao beans, imported 390 million pounds of cacao in the first 9 months of 1954 compared with 460 million for the first 9 months of 1953. The decline was partially compensated by the increased quantity of cacao products imported. Chocolated confectionery accounts for between 50 and 60 percent of the total annual use of cacao beans and products. Recent use of butter as an extender of cocoa butter may effect future United States imports of cacao products. The use of cacao beans has been estimated 5 to 10 percent lower in the first half of 1954 compared to the first half of 1953.

Outlook: The long term outlook for cacao will be affected by progress in the control of serious plant diseases and pests. In many countries the cacao improvement program for the immediate future is concentrated on disease and pest control looking to increasing yield per unit of area and improving quality rather than in making extensive new plantings. In the French Cameroons and Ivory Coast effective methods of controlling capsid insect and pod rot disease have been established and improved methods of fermenting and drying cacao beans have been developed. In the Gold Coast the results of the "swollen shoot" disease have been devastating. Experiments with "systemic insecticides" have proven **unsuccessful** and so far the only effective method of eradicating the disease is by cutting out infected trees. The acceptance by the African farmer of new cultural methods will determine the degree of progress in improving quality and increasing yield per tree.

The Nigerian Government has recently amended its tax laws relating to cacao. The export duty now stands at 10 percent ad valorem when the value does not exceed £150 per ton with an additional one-tenth of 1 percent for every £ or part of a £ exceeding £150 provided the amount of duty does not exceed 20 percent of the value.

TEA

Production: World tea production in 1953, excluding China, the Soviet Union, and French Indochina, is estimated to be 1,274 million pounds, just 1.5 percent below 1952 production. Necessary information for making a 1954 forecast of production is not yet available.

Prospects for the 1954-55 India tea crop are not likely to be so favorable as was earlier expected. Recent floods in Northern India have greatly handicapped the tea industry by disrupting communication and delaying marketing. The Indian tea industry since 1939 has surprisingly increased production by about 50 percent without increasing acreage. The tea industry recognizes that without a high yield its economy will be shattered. High production costs for tea necessitate obtaining high yields in order to compete on the world markets.

Exports: Exports from the principal producing countries are regulated under the International Tea Agreement to which India, Ceylon, Indonesia and Pakistan are parties. For the year 1954-55 the export is fixed at 135 percent of the standard quota by which India is entitled to export 470 million pounds, Indonesia 234 million pounds, Pakistan 47 million and Ceylon 339 million pounds.

Consumption: The United Kingdom is the greatest market for black tea in the world and buys about 500 million pounds annually. The barometer of Britain's tea situation is the stocks in the bonded warehouses. At the end of July 1954 stocks dropped to 75 million pounds or less than 8 weeks' supply. With blenders and packers competing for supplies, and with high coffee prices, the market for tea has been strong.

United States imports in the first 9 months of 1954 amounted to 93 million pounds compared to 83 million pounds in 1953. Of this, 37 percent came from Ceylon, 33 percent from India, 13 percent from Indonesia, and 4 percent each from Japan and Taiwan. Increased United States imports in 1954 probably are due to the high prices of the competing beverages and the stepped-up sales campaigns of the tea industry.

COTTON

At the beginning of the 1954-55 cotton season stocks of United States cotton had risen nearly 4.0 million bales above a year earlier while stocks in foreign countries decreased by 1.3 million bales. Stocks on August 1, 1954, in nearly all foreign countries, both importing and exporting, were near the minimum needed for efficient mill operations. United States stocks of 9.6 million bales account for about 70 percent of all stocks held in exporting countries and about 48 percent of the world total.

Production: World cotton production in 1954-55 is expected to total about 36.1 million bales, which would be 1.8 million bales below the record 37.9 million bales, produced in 1953-54. The reduction in the current season is due entirely to the drastic curtailment of production in the United States which was accomplished by means of acreage restrictions and marketing quotas. Cotton production in the United States from the 1954-55 crop will total 13.6 million bales, 2.9 million bales less than in the previous year. Production in foreign countries increased by 1.2 million bales, mostly in the exporting countries.

Consumption: World cotton consumption for the year 1954-55 is expected to equal or slightly exceed the record level of 35.0 million bales consumed in 1953-54. This rate of utilization brings consumption in line with production in 1954-55 for the first time since 1950 when aggregate consumption exceeded production by a considerable margin. Since world consumption in the current season is expected to nearly equal production, cotton stocks carried over on August 1, 1955, will again approximate the 1954 figure of 19.8 million bales.

Stocks: During the early part of the 1953-54 crop year, when prices of foreign growths were below prices of United States cotton, foreign exporting countries moved their current crops, and in some instances large reserve stocks, into trade channels thus displacing United States exports to some extent. On August 1, 1954, United States carry-in stocks of upland cotton plus the current crop and expected imports provide a supply more than 25 percent above the "normal" supply as defined by law. For this reason, existing legislation requires that cotton acreage restrictions and marketing quotas be continued in 1955. A marketing quota for upland cotton of 10 million bales and a national acreage allotment of 18,113,000 acres has been proclaimed for the 1955 cotton crop.

Prices: In the early months of 1954 cotton prices outside the United States were still below prices of United States cotton of comparable quality. This situation was due largely to sharp reductions in prices of cotton in several foreign countries, notably Egypt and Brazil, where large stocks of cotton from previous crops had accumulated. By early fall of 1954, however, most of the surplus foreign stocks had been sold and prices of most foreign growths had risen to levels equal to, and in some instances, above prices of United States cotton. Cotton prices in the United States fluctuated less than have the prices for foreign growths. During the current season they have been above those of a year earlier with maximum monthly variations on the 10 spot markets for middling 15/16 inch holding within a range of one cent per pound. At the present time (December 1954) the spot prices for United States cotton in the United States are at about the same level as prices for foreign growths of comparable quality in foreign spot markets.

COTTON: World production, consumption, and exports average 19 5-36 to 1939-40, annual 1951-52 to 1954-55, by principal regions

(In thousands of bales of 500 pounds gross weight)

	Average			Annual		
	1935-36		1951-52	1952-53	1953-54	1954-55 1/
	1939-40					
<u>Production</u>						
United States.....	13,149		15,149	15,139	16,465	13,569
Other Western Hemisphere.....	3,085		4,519	4,131	4,097	4,994
Asia 2/.....	12,468		12,759	12,674	14,015	14,115
Europe.....	147		228	255	323	338
Africa.....	2,840		3,054	3,526	3,004	3,058
Total World.....	31,689		35,709	35,725	37,904	36,074
<u>Consumption</u>						
United States.....	6,938		9,196	9,461	8,581	—
Other Western Hemisphere.....	3/ 1,400		2,344	2,355	2,416	—
Asia 2/.....	3/ 11,800		12,658	13,529	14,810	—
Europe.....	3/ 8,300		7,955	7,708	8,618	—
Africa.....	3/ 100		410	450	485	—
Total World.....	28,538		32,563	33,503	34,910	—
<u>Exports</u>						
United States.....	5,589		5,711	3,181	3,914	—
Other Western Hemisphere.....	1,746		1,726	1,992	3,139	—
Asia 2/.....	3,272		2,541	3,318	3,127	—
Europe.....	2		21	26	29	—
Africa.....	2,638		2,181	3,064	3,027	—
Total World.....	13,247		12,180	11,581	13,236	—

1/ Preliminary.

2/ Includes the U.S.S.R.

3/ 1934-35/1938-39 averages from World Fiber Survey, FAC, Washington 1947.

Export Outlook: The outlook for United States cotton exports for the current season continues favorable. For 1954-55 season through November the New York Cotton Exchange estimates that exports of cotton from the United States totaled 1,020,000 bales, 19 percent above the official export figure of 860,000 bales to the same date last season.

With prices of United States cotton at levels competitive with foreign growths of similar quality, demand for United States cotton in major importing countries has been strong since the beginning of the 1954-55 season. The total export movement for the entire 1954-55 season is expected to exceed the 1953-54 movement of 3.9 million bales by 20 percent.

Net cotton importing countries of the Free World accounted for 11.3 million bales or 88 percent of the 1953-54 world cotton import trade of nearly 13.0 million bales. Stocks of cotton in most of these countries on August 1, 1954, averaged less than 4 months' mill requirements, which is considered to be about as low as stocks can be allowed to decline without jeopardizing efficiency of mill operations.

Gold and dollar reserves in Western European countries are reported to be substantially higher than a year ago, but somewhat lower in the major cotton importing countries of Asia. At the present time there are no restrictions on imports of United States cotton into a number of countries including Canada, India, Western Germany, United Kingdom, Sweden, Switzerland, and for all practical purposes, Belgium and the Netherlands. On the other hand, continuing dollar exchange problems in certain Asian countries threaten some curtailment of imports from the United States. This problem notwithstanding, exports from the United States in 1954-55 are expected to exceed 1953-54 exports by roughly three-quarters to a million bales.

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Sheep Numbers: The world total of 841 million head of sheep in 1954 was 12 percent greater than the 1936-40 average. Except in North America, sheep numbers increased in most important producing areas in 1953. Favorable returns to producers for wool and a strong demand for mutton and lamb in recent years have favored expansion in most important sheep areas.

The important sheep producing countries showing increases in sheep numbers in 1953 and probable increases in 1954 include Australia, Argentina, India, the Union of South Africa, and New Zealand. Gains also were registered in Uruguay and the United Kingdom. Numbers changed little in Spain and probably were slightly lower in the USSR at the beginning of 1954.

Wool - Production: World production of wool in 1954 set a new record of 4,430 million pounds, greasy basis, 12 percent above the 1936-40 average production. On a clean basis the 1954 output will be about 2,555 million pounds. World consumption in 1953 was estimated at around 2,600 million pounds. With the exception of Canada, the United States, and Western Germany, wool production has increased above prewar levels. The principal wool consuming countries indicate lower consumption in 1954 compared with the previous year. The output in both Australia and Uruguay is at record levels, while output in the Union of South Africa is near record. Wool production will show an increase in 1954 in Europe and Asia as a result of the increased numbers of sheep. Output in USSR is likely to show a decline.

Consumption and Trade: Prices of wool declined during September, October and November, as compared with the same period of 1953. The Australian wool auctions in September 1954 opened 10 to 15 percent lower than a year earlier and fluctuated downward to mid-November. The downward trend was partially due to the waterside strikes in the United Kingdom and Australia. By late mid-December prices showed a strong tendency to become firm.

It appears that adequate supplies of wool will be available to meet the expected moderate increase in consumption next year. Three of the major uncertainties of the present depressed wool situation relate to the probable level of spinning activity in the United States, the Japanese foreign exchange position and the extent of Russian buying. American wool consumption in the first nine months of 1954 was only three-fourths of the rate of the same period in 1953, while Japanese imports up to July showed a drop of 30 percent compared with 1953.

Production and consumption of wool in 1954-55 are not greatly out of balance. The 1954 output appears to be 50 million pounds, clean basis, in excess of consumption. The increasing availability of other fibers (man-made) and the gradual increase of world wool production would appear to make available adequate supplies of apparel fiber, at reasonable prices, for an expanding world population.

WOOL: Estimated World Production, Greasy Basis,
Averages 1936-40 and 1946-50,
Annual 1952 to 1954,
by Continents or Areas.

Area or Continent:	Averages		Annual		Annual		(+) or (-)
	1936-40	1946-50	1952	1953	1954	1954	1954
	Mil. lbs.	Mil. lbs.	Mil. lbs.	Mil. lbs.	Mil. lbs.	Mil. lbs.	Percent
North America	452	309	287	293	295		-34.7
Europe	488	426	495	503	510		+ 4.5
USSR	310	312	400	400	390		+25.8
Asia	344	356	399	402	406		+18.0
South America	639	733	728	732	728		+13.9
Africa	337	282	346	352	364		+ 8.0
Oceania	1,366	1,432	1,699	1,669	1,734		+26.9
Total	3,930	3,850	4,350	4,360	4,430		+12.5

POULTRY AND EGGS

Production: A fairly general increase in the production of eggs in the principal producing countries has been associated with the increase in poultry numbers, which has been small, and more importantly with improved methods of production. Production of eggs in the principal egg producing countries, excluding Eastern Europe and the USSR in 1954 was estimated to be 135 billion eggs, 4 percent greater than in the preceding year and approximately 50 percent above prewar.

In an increasing number of countries, poultry, meat and eggs are making a substantial contribution to the improvement of diets. Only limited information is yet available on this important segment of world agriculture.

Consumption and Trade: World trade in shell eggs has not fully reflected the decline in United Kingdom imports, largely because of a very marked increase in imports by Western Germany whose takings since 1951 have exceeded those of the British. World exports in 1954, the highest in postwar years, were only 10 percent less than in 1938, a rise in exports from Denmark and the Netherlands partly offsetting a decline in those from the Balkan and Baltic countries to Western Germany. The increase in egg production and trade in 1954 has been accompanied by a lower level of prices.

JUTE AND HARD FIBERS

Jute Production: World jute production in 1954 of 2.5 billion pounds was slightly less than the 1953 outturn, and considerably below the average of 3.5 billion pounds produced in the peak period of 1947-51. Severe flood damage in Pakistan and India, the principal producing areas, reduced the size of the crop and the quality of fiber. Brazilian production, negligible before the war, increased to approximately 46 million pounds in 1953 and in 1954.

Consumption: Pakistan is the principal exporter of raw jute, and India is the principal exporter of jute manufactured goods. Brazilian jute is still mostly consumed within the country.

Stocks of raw jute in Calcutta mills on June 30, 1954, were larger than for some years, but stocks of manufactured goods held by jute mills were smaller, only about 65 percent of the preceding year.

In India the policy of retaining all domestically produced raw jute for mill consumption has been continued, but exports from Pakistan remain large. During 1953-54 (July-June), 2,038 million pounds were exported compared with 2,120 million in 1952-53. About 26 percent was shipped to India and 57 percent to European countries, with the United Kingdom, Germany, France, and Belgium ranking highest. The United States accounted for about 6 percent. Exports to Germany and France showed the greatest increases over 1952-53, and those to the United States and the United Kingdom the greatest decreases.

Indian jute mills of West Bengal having more than 220 looms began on July 12, 1954, to work 45 hours per week instead of $42\frac{1}{2}$ hours. As a result they are expected to increase raw jute consumption by approximately 120 million pounds in 1954-55, making the total around 2,200 million pounds for the fiscal year. Pakistani consumption is expected to be about 400 million pounds.

Raw jute in the United Kingdom was transferred from public to private purchasing. Stocks held by the Jute Control were placed in process of liquidation. Minimum prices of raw jute and other controlled prices are expected to be fixed in a different manner henceforth, but licenses for import are still required.

An Association of European Jute Industries has been formed by some of the principal consuming countries of continental Europe with the purpose of eventually including all European countries that are interested.

- 2 -

Prices of jute held fairly steady during the early part of 1954 in spite of government forecasts of restricted acreages in producing countries. Prices, however, began to show signs of strengthening when first shipments of new-crop jute were slow in entering the market.

Hard Fibers Production: World production of the 3 principal hard fibers - abaca, sisal, and henequen - reached a total of 1,380 million pounds in 1953 compared with 1,377 million in 1952 and a prewar average of 1,141 million pounds. Total production for 1954 is expected to remain high.

Abaca output in 1953 was only 282 million pounds. Production in 1954 continues the declining trend of several years. The retarding effect of mosaic disease in the Philippines is now the principal factor in reduced output, although the Central American crop is also declining. Henequen production fell to 234 million pounds in 1953 after a steady decline through the years from the wartime average of 293 million pounds. The downward trend is principally in Mexico, but Cuban production has also declined in the past two years. Crops of the current year are expected to show a slight increase in Cuba but a decrease of possibly 10 percent in Mexico.

Sisal production on the other hand continued a steady increase. Output was 864 million pounds in 1953 compared with an early postwar average of 552 million pounds, a wartime average of 512 and a prewar average of 507 million pounds. British East Africa, the greatest producer, led with production of 457 million pounds compared with 447 million in 1952. Brazil, second in importance, held steady, but Angola and Mozambique increased their output by 14 and 6 million pounds, respectively.

Prices: Prices of all three fibers have declined quite steadily in the New York market since the price break in 1951. A slight strengthening early in 1954 was followed by a continuation of the downward trend. As of September 1954 the landed New York price of Mexican henequen was quoted at about 83 percent of the average 1953 price, British East African sisal No. 1 at 84 percent, and Philippine Manila I, Davao, at 70 percent.

The United States is the principal market for Philippine exports of abaca, and Mexican and Cuban exports of henequen. British East African sisal is destined principally for the United Kingdom with the United States ranking second. The United States also received sizeable quantities of sisal from Haiti, Brazil, Mozambique, and Indonesia.

TOBACCO

Production: World production of tobacco in 1954 totaled about 7.9 billion pounds. This was 4 percent higher than the 1953 world output and 7 percent greater than the 1947-51 average. Production of cigarette types (except Oriental) was up substantially. World production of flue-cured leaf -- the principal type entering world trade -- was up 175 million pounds with larger supplies available in Southern Rhodesia, Canada, Japan and China. There was another large crop in India. Southern Rhodesia, Canada and India are important competitors of the United States in world export trade.

Stocks: Total world stocks of tobacco are believed to have increased somewhat during 1954. Larger supplies were made available in a number of the important producing countries. In a number of the larger importing countries some stock rebuilding occurred.

Consumption: Indications are that an increase in world tobacco consumption occurred in 1954. In most countries cigarette output continued upwards and more than offset the continuing decline in consumption of most other tobacco products. The net increase in overall tobacco consumption took place primarily as a result of generally improved economic conditions, and further increases in the adult population. It is believed that on a per capita basis there was little or no upward movement, however, in consumption levels.

Outlook for 1954-55: Tobacco consumption, although usually considered to be relatively inelastic, is responsive to adjustments in economic activity. The economic outlook for 1954-55 is for generally favorable conditions in most of the world. The indices of industrial production in Western Europe are at high levels. This is the area to which 75 to 80 percent of United States exports of tobacco is shipped. International trading relations of most of these countries have shown much improvement in the past year or so. Gold and dollar reserves are generally larger than they have been in recent years. Several countries during 1954 liberalized their restrictions on tobacco imports from the dollar area. In view of this liberalization and the prospective upward trend in consumption, demand for United States tobaccos should increase somewhat in 1954-55.

United States Exports: For the calendar year 1954, exports from the United States are estimated at 5 percent below the 1953 total of 519 million pounds. The 1953 figure was augmented somewhat by large exports to the United Kingdom in the spring of the year which normally would have moved out in the fall of 1952. Exports during the 1954-55 marketing season may be between 7 and 10 percent larger than those in 1953-54, which amounted to about 460 million pounds (export weight). The movement of leaf under the Agricultural Trade Development and Assistance Act, Public Law 480, 83rd Congress, is expected to aid materially in increasing the movement. Some stock rebuilding in foreign countries probably will take place during 1954-55.

Tobacco: Production by continents, averages 1935-39 and 1947-51, annual 1953 and 1954, farm sales weight 1/

Continent	: 1935-39	: 1947-51	:	:
	: Average	: Average	: 1953	: 1954 <u>2</u> /
	: Million	: Million	: Million	: Million
	: Pounds	: Pounds	: Pounds	: Pounds
North America	: 1,685	: 2,460	: 2,445	: 2,618
South America	: 308	: 382	: 476	: 472
Europe (including U.S.S.R.)	: 1,181	: 1,218	: 1,247	: 1,248
Africa	: 127	: 256	: 320	: 316
Asia (excluding U.S.S.R.) <u>3</u> /	: 3,183	: 2,931	: 2,966	: 3,089
Oceania	: 7	: 9	: 11	: 12
TOTAL	: 6,491	: 7,256	: 7,465	: 7,755

1/ Calendar year basis. 2/ Preliminary. 3/ Excludes Manchuria.

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January 12, 1955

PAKISTAN LIBERALIZES IMPORTS

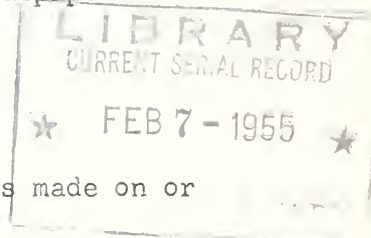
The Government of Pakistan announced a liberalized import policy for the first half of 1955 which permits import licensing of an increased number of items from the dollar area.

The list of items for which licenses will now be granted for imports from the dollar area, as well as for imports from other areas, includes the following United States farm commodities:

Cotton	Hops
Wool	Peanuts
Wool tops and shoddy wool	Dates
Castor oil	Potatoes, seed
Cottonseed oil	Onions and onion seeds
Linseed oil	Vegetables and flower seeds for sowing
Animal oils	Barley malt in bulk
Essential oils, all sorts n.o.s.	Patent and farinacious foods, n.o.s. excluding vermicelli, spaghetti, and macaroni
Tallow and animal fats	Cheese
Stearin and wax	Milk, condensed and powdered
Feathers	Milk foods for infants
Bristles, all sorts	Cigars, cigarettes and pipe tobacco
Lard, not canned or bottled	
Bacon or ham, not canned or bottled	
Meat, frozen	
Miscellaneous food provisions, all sorts n.o.s.	
Plants, living	

Import licenses issued will be effective for shipments made on or before June 15, 1955.

The more liberal import regime reflects United States commodity aid, under PL 480 and PL 665, which makes it possible for the Government of Pakistan to exercise an easier import policy even though they are not able to allocate larger dollar funds for imports from their own resources.



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March 10, 1955

Recent Developments in French Agricultural Policy 1/

During its seven and a half months of life, the Mendès-France Government devoted much thought to measures that should be taken to re-direct and promote French agricultural production. Between September 1954 and the end of the year, a number of decrees were promulgated dealing with such matters as: the controversial question of the sugarbeet and alcohol surplus; the partly related problem of wine surpluses; milk and dairy products; oilseeds and edible fluid oils; wheat; tax rebates on farm machinery; assistance for constructing rural public water systems; and consolidation of fragmented farm holdings.

a. Sugarbeets and the Alcohol Surplus

As in previous years, the total sugarbeet crop will be purchased; the price, however, was reduced from 4,900 francs per metric ton (\$12.70 per short ton) to 4,700 francs per metric ton (\$12.18 per short ton). At the same time the price of sugar at the factory level was reduced slightly and a subsidy that had been paid to the sugar factories last year to prevent a sugar price increase was discontinued. 2/

In an attack on the problem of surplus alcohol the Government ordered the transfer of two-thirds of the sugarbeets grown for distillation to sugar factories for production of sugar. The additional expenses involved will be paid by the Government. Thus, although the sugarbeet crop is smaller than in 1953, shifting these beets to sugar factories will result in a sugar surplus which will have to be exported. The Government will pay an indemnity to the distilleries of 1,500 francs per metric ton (\$3.90 per short ton) for the beets transferred. It is anticipated that present alcohol stocks of over 4 million hectoliters (106 million gallons) will not be further increased.

The Ministry of Agriculture indicated that in the future the price of sugarbeets may be fixed by a method somewhat like that now used for wheat,

1/ From reports prepared by Harold L. Koeller, Assistant Agricultural Attache, American Embassy, Paris.

2/ The subsidy was paid from a fund financed for the most part by the sugar industry.

i.e., taking into account fluctuations in the prices of goods farmers buy, as well as the size of the crop and the increasing productivity per hectare. It was further stated that, when actual stocks are reduced to a satisfactory level, alcohol production will be permitted in accordance with the decree of August 9, 1953, which provided a gradual reduction in alcohol distillation until a balance of production and consumption would be reached in 1957-58.

At the same time the petroleum industry was reported to have agreed to absorb 3 million hectoliters (79 million gallons) of alcohol by 1958 for the production of ternary high-test gasoline. One million hectoliters (26 million gallons) of alcohol will be exported to pay for the imports of benzol used in producing the ternary fuel.

b. Oilseeds and Edible Fluid Oils

Two decrees dealing with the organization of the edible fluid oil market are designed to make France and the French Union more nearly self-sufficient in oilseeds and at the same time provide an alternative crop for sugarbeets. It is anticipated that Government subsidies for carrying out the oilseeds policy may not be much less than those in the past for the support of the sugarbeet-alcohol policy. This action, however, does not appear so objectionable to the French as the continuation of the sugarbeet-alcohol program. The net gain from the Government point of view would be greater self-sufficiency and a saving in foreign exchange from a reduction in oilseed imports.

The first decree provided for the setting of prices by the Government, the creation of a special oilseed market support fund for financing price stabilization operations, and the establishment of overall annual refined oil quotas as follows:

225,000 metric tons (248,000 short tons) from peanuts
97,500 metric tons (107,500 short tons) from domestic oilseeds
97,500 metric tons (107,500 short tons) of olive oil

Price support will be provided for production within the quotas.

The second decree provided that colza (rapeseed, the principal French oilseed) prices will be supported at a base price of 6,600 francs per quintal (8.6 cents per pound) from 1955 to 1959, but after 1955 the base price will be adjusted by fluctuations in the indices of prices farmers pay for production and consumption goods, less a one percent annual decrease to allow for increases in productivity, a formula similar to that used for determining the wheat price. Actual support operations will be effected by paying the farmer the difference between the support price and the market price.

Provisions were also made for setting the price of peanuts. Prices of other oilseeds and edible oils in the French Union will be set in relation to the prices of rapeseed and peanuts.

The decree appeared too late to affect the size of the 1955 colza crop. Likewise, problems of insect pests and the necessity of persuading farmers to shift from production of surplus crops such as sugarbeets, wheat and wine will delay the full effect of the policy. By 1956, it is expected that rapeseed production may reach 200,000 metric tons (441 million pounds) compared with 77,000 tons (170 million pounds) in 1954. However, during 1955 it is anticipated that the French will import a substantial tonnage of oilseeds, that is, amounts sufficient to carry them until the new crop moves to market.

c. Wheat

A decree of September 30, 1953, provided for reorganization of the National Cereals Office, which controls the marketing of grain, and for a change in the method of fixing wheat prices. Instead of being based, as formerly, on cost of production, the then-current price of 3,600 francs per quintal (\$2.80 per bushel) is to be varied in accordance with the weighted average change in the index of prices of industrial products purchased by farmers (60 percent) and the index of retail prices in Paris (40 percent); in addition, the new formula provides for a one percent per year reduction for taking into account increasing productivity, and permits a further adjustment of the above calculation by 6 percent to allow for unusually high or low prospective yields per hectare. For the record 1954 crop, the price was cut to 3,400 francs per quintal (\$2.64 per bushel). By decrees of November 4, 1954, the Government announced its intention to guarantee the price for only 6.8 million metric tons of wheat (250 million bushels) marketed from the 1955 crop, and related the wheat price to bread-making quality wheat. Wheats that do not meet specifications laid down by decree are considered as feed grains, and their prices are freely set by buyers and sellers.

Wheat exports continue to be subsidized in part with the proceeds of a "resorption" tax imposed on wheat producers and in part with Treasury funds. An export payment of about 1,800 francs per quintal (\$1.40 per bushel) is necessary for French wheat to be competitive on the world market. Export sales of 1954 crop wheat had reached about 1.4 million metric tons (51 million bushels) in December when they were temporarily suspended due to exhaustion of the export fund of 25 billion francs (\$71.4 million), nearly half of which was supplied by the Treasury. Sales were again permitted in January after the Treasury transferred a second 12 billion francs (\$34.3 million) to the fund. Part of this season's wheat surplus was made available to livestock feeders at prices somewhat below the prices charged flour mills and approximately equal to the price of corn. However, only relatively small quantities of the surplus are expected to be fed.

d. Milk and Dairy Products

The national reference average annual price of milk to farmers was set at 24.50 francs per liter (about \$3.10 per hundred weight) for the

1954-55 year, which was a slight reduction (1.6 francs per liter, or 20 cents per hundredweight) from last year's price. This took into account current surplus milk production and the Mendès-France policy of making French prices more nearly competitive in world markets. At the same time the Government planned a regulated storage program for dairy products between October 1 and September 30 of each year along the lines already in operation for cheese and butter in 1954. In addition, special efforts will be made to improve the quality of milk at producer level, to reduce the cost of production and to increase consumption. One of the measures provided that sweetened milk will be given to school children beginning in January. This measure will dispose of both surplus milk and sugar.

A rehabilitation fund for the milk and dairy products market will be established similar to that for meat, set up in the fall of 1953. At the outset it will be financed by a deduction from the meat circulation tax and later by a "resorption" tax to be paid by producers of milk and dairy products.

e. Wine

Measures taken to benefit the wine industry and growers by reducing surplus production and exporting surplus stocks included provisions for financing (1) the uprooting of uneconomical vineyards producing low quality wine (1 billion francs, or about \$2.86 million), (2) the export of low quality wines, including Algerian (460 million francs, or \$1.3 million), and (3) taking a census of vineyards. A diversion of part of the wine tax until December 31, 1954, will provide the above funds. Another provision eliminated the exemption of producers of less than 200 liters (53 gallons) of wine from the obligation of delivering part of their production for distillation.

In the past, aid to wine producers has included withdrawal of part of the output from the market ("freezing of stocks") and distillation of part. A recent decree provides for continuation of this type of program also, to dispose of the estimated surplus of 17 million hectoliters (449 million gallons) of wine from 1954 production.

A permanent solution of the wine surplus problem through reducing vineyard acreage and substituting other crops raises a dilemma. Part of the dilemma results from the fact that new plantings of vines are continually being made on level and valley land where yields of grapes and wine are several times greater than in the hill land vineyards where there is really no economic alternative crop. Although the wine produced in high-yielding vineyards is of slightly inferior quality, the average consumer cannot tell the difference. Thus, if economic factors should be given full play, the vineyards in the lowlands would eventually put the vineyards on hill land out of business. Government officials oppose this solution since it would reduce employment in the hill land and use land that could produce other useful crops in the lowlands. Likewise, an acre taken from

production in the lowlands would reduce the surplus by several times as much as an acre taken from production in the hill land. Reports to date indicate that most applications for subsidies to finance pulling out vineyards have been for small, isolated plots of vines.

It is anticipated by the Government that a vast plan to "reorganize" the agriculture of the "Bas-Rhône-Languedoc" region through the provision of irrigation will result in the substitution of other crops for vines. A recent law authorized undertaking this program.

f. Other measures

These decrees represent the first part of the agricultural program of the Mendès-France Government, the objective of which can be summed up as: to make French agriculture competitive in world markets, enabling it to produce enough to supply the domestic market and at the same time sell abroad. However, for an indefinite period, it appears that a considerable amount of subsidizing will continue to be necessary if France is to export a substantial volume of agricultural products. Problems such as quality, adaptation to the needs of the buyer, and packaging of the product must also be solved if France is to win large export markets for many products.

The measures taken recently are mainly a continuation of the policies initiated by the previous Government under the leadership of Mr. Houdet, Minister of Agriculture. They have chiefly been concerned with the organization of markets for agricultural products, the financing of exports, and the determination of prices. Certain taxes have been reduced or abolished in order to lower the cost of production and permit a downward movement in the prices of agricultural products.

It is reported that the Government had under consideration a longer term program that would attack more basic problems in French agriculture. On December 22, 1954, it published a decree on land consolidation, designed to speed up the operations that have been making steady, but extremely slow, progress since the war. Other parts of the long-term program included rehabilitation of abandoned or poorly-cultivated lands, migration of farm population from over-populated to under-populated areas, the creation of an agricultural reconversion fund to sponsor and finance major shifts in agricultural production, and a large scale effort to build up an effective agriculture extension service and training program.

In addition, the Government was reported to be planning to extend efforts for reduction of prices of agricultural supplies which should also make French agriculture more competitive in world markets. Specific measures under study included a subsidy for liming materials; the abolition of taxes on all fertilizers; an increase in the quantity of motor fuel allocated to agriculture at reduced prices; and a reduction of prices of feedgrains.

Some of the measures under consideration by the Mendès-France Government may be put in effect by its successors. If the major ones are adopted, the Government might be well on its way toward revitalizing French agriculture and making it competitive, at least in European markets, if not in world markets.



FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
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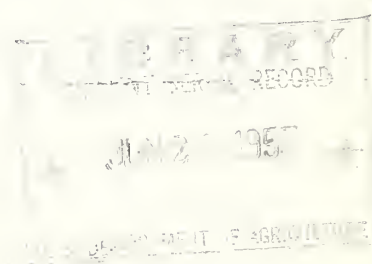
March 10, 1955

Recent Developments in French Agricultural Policy

E R R A T U M

Your recent copy of the above titled Circular carried the wrong code-symbol (FAC-L) in the upper left-hand corner.

To avoid confusion in filing this series of Circulars, will you please change the symbol from "FAC-L" to "FATP" on your copy. (The number remains the same.)





FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D. C.

FATP-4-55

March 21, 1955

DENMARK ANNOUNCES A PARTIAL LIBERALIZATION OF DOLLAR IMPORTS

The Danish Government on February 23, 1955, formally removed import licensing requirements from a number of items, including the agricultural commodities listed below. In addition, Denmark has issued a list of goods for which import licenses will be issued freely upon application, without restriction as to quantity or value. This second list, however, does not include commodities of direct interest to United States farmers.

Denmark's decision involves the liberalization of 38 percent of her dollar imports, based on dollar imports in 1953. The liberalization of dollar trade reflects an improving Danish dollar position as well as a desire of the Danish Government to reduce the price level in Denmark through the competitive impact of dollar imports.

Danish officials indicated that this liberalization move is a first step in freeing dollar imports and it is expected that the free list will be expanded when Denmark's economic conditions permit. Although Denmark's holdings of dollar exchange have increased, her overall exchange position has been deteriorating.

No pronounced changes in trade patterns are expected because of the offsetting effect of freight differentials and the fact that regulations concerning dollar imports have been applied in a liberal manner. However, the elimination of red tape and administrative delays should benefit both the Danish importers and the United States suppliers.

Items of interest to United States farmers which may now be imported from the dollar area without an import license include:

- Cotton and cotton waste from carding and spinning
- Wool and hair of animal origin and spinning waste
- Raw tobacco (tobacco leaves and stems)
- Hops and hop extract
- Peanuts and other fruits for oil extraction (including seed for oil pressing, except flaxseed and soybeans)
- Seeds for sowing of alsike clover, red clover, white clover, perennial rye grass, Italian rye grass, meadow fescue, brome, orchard grass, blue grass (*poa trivialis*), sugar beets, turnips, rutabagas, mangels, and half-sugar mangels; and certain other seeds

(continued)

Castor oil, peppermint oil, anise oil and eucalyptus oil

Resins and gums

Turpentine

Vegetable turpentine oil

Vegetable tanning materials and extracts and various vegetable dyes

Olein and yolk (wool fat)

Neat's foot oil, animal leather oil and marrow oil

Calf stomachs

Horsehair

Fertilizers (except superphosphate, and nitrate of soda)

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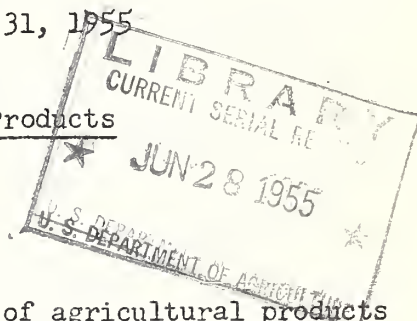
UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D. C.

FATP 5-55

March 31, 1955

Mexican Foreign Trade in Agricultural Products in 1954 1/

SUMMARY



Mexico imported more than 80 million dollars worth of agricultural products from the United States in 1954, principally corn, fats and oils, eggs, wheat, baby chicks, tobacco, beans, seeds, fruits, vegetables, malt, hops, and barley. Imports in 1954, however, were well below those of 1953 when large imports of corn and beans were needed to supplement the short crops resulting from droughts.

Agricultural imports accounted for about 13 percent of Mexico's total imports, but agricultural exports amounted to 57 percent of total exports. Cotton and coffee alone accounted for more than 40 percent of the total exports. Agricultural exports amounted to about 343 million dollars and were appreciably higher than in 1953. The principal products were cotton, coffee, fish, henequen, sugar and molasses, oilmeal, winter vegetables, tropical fruit, ixtle, peanuts, beef, chicle and cacao. The statistics show that 81 percent of the exports were to the United States but since the cotton was merely shipped through the United States only about 48 percent of the products remained in the United States for consumption.

Imports of agricultural products into Mexico are expected to decline further. If weather conditions are normal, there will be practically no imports of corn or beans and sharply reduced imports of wheat. On the other hand, exports probably will increase still further, especially of cotton, coffee, and live cattle.

CHANGES IN 1954

Mexico's foreign trade situation changed radically in mid-1954 due to the following: (1) Prior to that time Mexico was suffering from drought-reduced crops of corn and beans in which the country is normally self-sufficient. Large emergency imports of these items, therefore, were necessary until the 1954 crops became available. (2) Mexico's wheat production, grown on irrigated land, in-

1/ Prepared for publication by the Latin American Analysis Branch from Embassy Despatch written by Dr. Paul G. Minneman.

creased to such an extent that by mid-1954 the country was almost self-sufficient, and imports that averaged 410,000 metric tons (15 million bushels) a year from 1950 to 1952 were reduced to zero in late 1954. (3) Dairymen, especially in the Mexico City region, convinced the government to stop almost completely the imports of powdered milk and cheese in order to reserve the market for local dairymen. (4) On the export side, mid-1954 witnessed the beginning of a sharp increase of Mexico's two most important export items, cotton and coffee, the heavy exports of which will carry well into 1955. (5) The devaluation of April 19, 1954 discouraged imports by making them about 45 percent more expensive in terms of pesos. By the same token exports became more attractive. Moreover, the government was confronted with low monetary reserves and began a series of moves to curtail imports by raising duties and sharply restricting import licenses.

In 1954 the agricultural foreign trade situation, therefore, changed from heavy imports and normal exports during the first part of the year to sharply reduced imports and greatly increased exports during the latter part - a pattern that will continue into 1955.

Table 1. - Mexican Imports and Exports of Merchandise, total
and of Agricultural Products 1/, 1950 to 1954 2/

Year	Imports <u>3/</u>				Exports			
	Total		Agr. <u>1/</u>		Total		Agr. <u>1/</u>	
	Million Dollars	Million Pesos	Million Pesos	Per- cent	Million Dollars	Million Pesos	Million Pesos	Per- cent
1950	508.9	4,401.9	622.3	14.1	468.7	4,054.5	2,244.5	55.4
1951	760.2	6,576.5	1,008.6	15.3	560.7	4,850.2	2,712.5	56.0
1952	738.8	6,391.0	998.2	15.6	564.0	4,878.6	2,683.4	55.0
1953	734.1	6,350.3	1,149.9	17.6	538.7	4,660.0	2,767.4	59.3
1954	750.0	8,064.4	1,058.2	13.1	597.2	6,421.8	3,663.7	57.0

1/ Includes agriculture, forest and fish products.

2/ Data for 1954 are preliminary, unpublished.

3/ Includes only official imports and does not include about 10 percent more of entries in Free Zones.

Note: The peso was valued at 11.56 cents from 1950 through the first part of April 1955, after which it was devalued to 8 cents. Both imports and exports of agricultural products were at a heavier rate before the devaluation than after. About 38 percent of the exports occurred before devaluation. Therefore, the average value of the pesos used for the purchase of agricultural imports and received for the exports in 1954 was about 9.3 cents.

Source: Direccion General de Estadistica.

Imports

Imports of agricultural and food products in 1954 declined by about 8 per-cent in peso value below those of 1953. The peso value, however, was higher than in any other year except 1953.

The most important food and agricultural imports were as follows, ranked according to their importance in 1953 to show changes in 1954. (Plus Free Zone arrivals.)

Table 2. -- Value Mexican Imports of Agricultural Products, 1953-1954

	<u>1953</u> Million	<u>1954</u> Pesos		<u>1953</u> Million	<u>1954</u> Pesos
Corn	261.0	106.8	Livestock & Chicks	19.2	19.6
Wheat	170.3	44.4	Malt	18.0	16.4
Beans	72.7	19.8	Hops	17.9	13.6
Rubber, raw	72.7	113.0	Essential oils	17.9	29.3
Eggs <u>1/</u>	59.1	60.9	Hides, skins	15.4	26.1
Wool	48.9	129.2	Veg. oils	14.3	43.0
Tallow <u>2/</u>	36.6	68.3	Seeds, plants	14.0	15.7
Lard	35.6	43.2	Cottonseed, planting	12.3	10.9
Lumber	35.0	43.5	Fish	9.1	9.2
Milk, pd. <u>3/</u>	33.6	11.8	Barley, Oats, Feed	8.1	20.2
Fruit & Veg.	27.8	28.5	Total above	1,022.3	922.1
Tobacco, leaf	22.8	48.7	Other <u>4/</u>	127.6	136.1
			Total Agr. etc.	1,149.9	1,058.2
			Total Agr. in Millions of Dollars	132.9	98.4

1/ Includes some powdered eggs.

2/ Includes some other animal fats.

3/ Includes infant food.

4/ Includes wine, charcoal, tanning extract, naval stores, etc.

The decline in imports was to be expected because emergency imports of corn and beans, which reached record levels in 1953 due to severe droughts, were ended in mid-1954 as the large Mexican crops became available. Imports of corn and beans alone dropped from 334 to 127 million pesos. Domestic production of wheat was increased so sharply that none was imported during the last half of the year, and 1954 imports dropped from 170 to only 44 million pesos. Government restrictions on imports of powdered milk and other dairy products resulted in reducing imports of dairy products from 42 to 17 million pesos. Together, the reduction in the items mentioned above totals a saving of 358 million pesos.

These reductions were partly offset by sharply increased imports of tobacco, lard, tallow, vegetable oils, barley, and oats. The total value of those imports almost doubled and cost an additional 106 million pesos. Imports of eggs, baby chicks, fruit, vegetables, and seeds also increased slightly. Imports of other products that increased sharply were wool, rubber, hides, lumber and essential oils. These increased about 80 percent in value and cost 151 million pesos more than in 1953.

The change in the quantity of imports from 1953 to 1954 is shown in Table 3.

Table 3. - Mexican IMPORTS, Quantities of Principal Agricultural Products, 1953-1954

Item	1954		Item	1954	
	1953	Quantity		1953	Quantity
	Metric Tons			Metric Tons	
<u>Grains, etc.</u>			<u>Fruit & Veg.</u>		
Wheat	242,002	62,240	Apples	1,785	1,502
Corn	372,648	144,687	Pears	419	300
Beans	46,454	13,170	Grapes	751	826
Malt	14,165	10,843	Other, fresh	315	41
Barley 1/	3,206	14,541	Raisins	1,008	1,089
Oats 1/	3,912	2,140	Prunes	376	377
Other grain, feed			Other dry	342	334
starch	5,454	8,269	Nuts 1/	600	500
	687,841	255,890	Tomatoes, fresh	4,728	4,187
<u>Fats & Oil</u>			Potatoes	2,211	134
Lard	12,858	10,321	Onions	4,442	1,260
Tallow	25,068	27,818	Veg. canned	1,300	1,050
Veg. oils	5,952	12,698	Fruit & juices,		
Other	1,036	1,305	canned	629	1,187
	44,914	52,142			
<u>Milk & Eggs</u>			<u>Other</u>		
Milk, pd.	8,068	2,884	Wool	2,839	5,587
Eggs, shell	10,450	11,389	Cottonseed, planting	6,892	6,285
Eggs, powdered whole	522	259	Other seed, planting	1,655	2,264
Cheese	723	380	Tobacco, leaf	1,507	2,887
			Hops	1,283	959
			Meat, all	706	572
			Fish, all	1,413	1,162
			Live cattle 2/	4,916	3,860
			Chicks 3/	3,293	4,395

1/ Includes shelled and unshelled.

2/ Cattle in number of head.

3/ Chicks in 1,000 head.

Note: One metric ton = 2,204.6 pounds. One metric ton wheat or potatoes = 36.7433 bushels; one ton corn = 39.36 bushels.

Source: Preliminary, unpublished from official sources.

Substantial additional quantities entered Free Zones. Data for 1954 are not yet available but in 1953 important items were: wheat 7.4 thousand tons; corn 4.1; beans 3.5; malt 1.1; barley 1.0; lard 1.4; milk 5.1; eggs 2.9; fruit and vegetables 28.8; and cotton seed 2.0.

The United States supplied an estimated 75 percent of the agricultural and food imports in 1954 as compared with 86 percent in 1953. Practically all the wheat, tobacco, lard, tallow, cottonseed oil, malt, eggs, chicks, hops and cottonseed for planting were from the U.S.; plus 92 percent of the cotton, 97 percent of the barley and oats and about 57 percent of the beans. Sharply reduced prices for Canadian powdered milk in early 1954 resulted in a loss of much of the market for that product to Canada; the U.S. supplied only about 25 percent of the year's imports. Such items as rubber, wool, dried fish, cork and spices naturally were obtained largely from other countries.

Exports

The value of agricultural exports increased sharply in 1954 by more than 32.4 percent in terms of pesos but only about 6.2 percent in terms of dollars.

The most important groups of agricultural and food exports in 1953 and 1954 were as follows:

Table 4. Value Mexican Exports Agricultural Products, 1953-54

	1953	1954 2/
	Million Pesos	
Cotton and lintens	1,143.3	1,672.3
Coffee and products	574.5 2/	792.7 2/
Fish and shrimp	296.9	330.0
Henequen and products	158.4	182.7
Livestock and products ed.	104.5	56.1
Vegetables and products	88.6	59.2
Sugar and molasses	67.3	114.6
Oilseeds	58.9	46.3
Oilmeal and feed	53.6	111.6
Ixtle and products	40.8	50.5
Fruit and products	37.8	50.8
Lumber	28.6	25.9
Chicle	25.0	39.0
Garbanzos	17.2	9.3
Essential oils	7.1	8.1
Honey	7.0	10.8
Cacao and products	4.0	33.8
Total above	2,713.6	3,593.7
Other Agr. ex. 1/	53.9	70.0 3/
Total Agric. etc.	2,767.5	3,663.7
Total Agric. in millions of dollars	319.9	340.1

1/ Largely naval stores, roots, plants, essential oils, candelilla wax, vanilla and grain.

2/ Coffee in particular is undervalued in these official statistics.

3/ Preliminary, unpublished.

Cotton and coffee export values increased most and were by far the principal agricultural exports. Cotton accounted for 46 percent and coffee 22 percent of all agricultural exports, according to official data which admittedly are undervalued. Fish and shrimp made up 9 percent and henequen and ixtle products only about 6 percent. Other sharply increased export values were sugar and molasses, oilmeal and cake, fruit, chicle, cacao and honey. Principal declines in export values were in live cattle, tomatoes, garbanzos and flaxseed.

The quantities exported of the two principal items, cotton and coffee, did not fully reflect the greatly increased crops harvested in 1954 because large parts of these crops were not exported until after the end of the calendar year. Cotton exports were up by 11 percent to about 1,125 thousand bales whereas at least 1,350 thousand bales will be available for export from the 1954 crop. Coffee export quantities actually declined by 6 percent because only about 200,000 bags, or less than 15 percent of the record 1954 crop, were exported before December 31.

Quantities of exports increased for cotton, oilmeal and cake, fish and shrimp, sugar and molasses, pineapples, henequen, cacao, barley, oats, melons, strawberries, honey and chicle. Quantities declined in coffee, tomatoes, garbanzos, and flax (of which none was exported in 1954).

Table 5. - Mexican EXPORTS, Quantities of Principal Agricultural Products, 1953-54

Item	1954		Item	1954	
	1953	Quantity Metric Tons		1953	Quantity Metric Tons
<u>Cotton</u>			<u>Vegetables</u>		
Fiber	234,311	259,419	Tomatoes	118,255	82,845
Linters	31,498	27,829	Chile, fresh	9,718	6,077
	265,809	287,248	Chile, dry	1,012	867
<u>Henequen</u>			Peas, green	3,831	3,225
Fiber, raw	30,053	20,653	Onions	8,204	6,481
Reg. & spotted	4,928	7,139	Garlic	6,152	5,837
Bagasse	2,160	1,451	Melons	7,668	15,355
Mfg. cordage, etc.	33,094	47,355	Watermelons	5,007	5,242
	70,235	76,598	Other	2,198	1,882
<u>Ixtle</u>			<u>Grains, oilseeds, etc.</u>		
Fiber, raw	2,630	573	Rice	1	0
Waste	4,827	8,712	Barley & Oats	0	14,012
Prepared	9,854	8,560	Garbanzos	14,332	6,563
	17,311	17,845	Peanuts 2/	21,101	18,813
<u>Coffee, etc.</u>			Flaxseed	14,885	0
Coffee, raw	73,361	68,968	Oil meal - cake	109,805	214,567
Cacao	659	2,922	Bran & Feed	20,213	21,507
Chicle	1,775	2,776	<u>Sugar, etc.</u>		
Tobacco, raw	248	273	Sugar, raw and		
Vanilla	221	134	refined	56,105	69,105
<u>Fruit</u>			Molasses	164,721	226,104
Bananas 1/	2,469	2,739	<u>Livestock, Meat & Fish</u>		
Pineapples, fresh	16,959	22,012	Live cattle 3/	134,595	4,645
Pineapples, canned	10,688	13,612	Meat, all	12,157	50,681
Oranges	6,525	6,244	Shrimp, all	16,183	15,421
Limes	5,317	2,554	Fish, all	61,683	50,298
Strawberries	2,431	4,433	<u>Honey</u>		
				6,245	8,869

1/ 1000 stems.

2/ Shelled and unshelled.

3/ Number of cattle.

Note: One metric tons = 2,204.6 pounds.

Source: Preliminary, unpublished from official sources.

About 81 percent of all the agricultural exports in 1954 were to the United States as compared with about 86 percent in 1953. However, 74 percent of the cotton was listed as exported to the United States although practically all of this was simply shipped through the United States to other countries. After deducting cotton, only about 48 percent of Mexico's agricultural exports were actually to the United States.

OUTLOOK

The outlook for 1955 is for continuing the trend evidenced during the latter part of 1954. With normal to good weather conditions, Mexico should be about self-sufficient in corn, wheat, and beans and therefore should need no appreciable imports of these products. With the larger cotton crop, the supply of domestic vegetable oils will be more nearly adequate, but continued imports of lard and tallow will be needed. The government is making an effort to encourage increased production of eggs but until this program is successfully carried out, Mexico will need to continue large imports of eggs. Breeding animals and baby chick imports probably will continue large. Government restrictions are primarily responsible for reduced imports of powdered milk, cheese, powdered eggs and fresh fruits. Imports of these items, in particular, therefore could be increased when the country's monetary reserves are restored and the Government relaxes import controls.

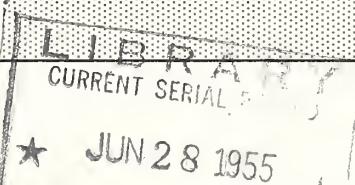
The year 1955 should be another excellent year for agricultural exports, particularly of cotton, coffee, and live cattle. Some additional irrigation facilities are being made available, and with attractive world market price the production and exports of cotton and coffee should increase. Exports of live cattle will be heavy following the reopening of the U.S. border on January 1.



FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D. C.

FATP 6-55



April 21, 1955

New French Government to Increase Stress on Agricultural Exports

Export Subsidies

The recently-formed Faure government is continuing the policy of subsidizing agricultural exports, which has applied to a wide variety of products, notably wheat, sugar, meat, and dairy products. New measures have already been announced for:

1. Dairy products. The Milk Market Rehabilitation Fund will receive over 5 billion francs (\$14 million) from a diversion of 6 percent of the receipts of the meat tax. The Meat Market Rehabilitation Fund already receives 8 percent of this tax. Speaking to the Assembly, Finance Minister Pflimlin is reported to have said that these funds would be used "to develop exports, all the exports possible. We want to develop exports to all countries, including those of the East. I know that they greatly need to raise the standard of living of their populations and I like to hope that in spite of certain recent indications, they will decidedly prefer butter to guns."

2. Wine. Among other measures to assist wine producers, 1.8 billion francs (some \$5 million) will be diverted from the wine tax to provide funds for paying an export subsidy of 1,400 francs per hectoliter (\$0.15 per gallon) of good quality wines for current consumption (ordinary wines). For fortified wines of over 15 degrees alcohol content, the rate will be 1,200 francs per hectoliter (\$0.13 per gallon). This subsidy is in addition to the tax refund of 275 francs per hectoliter (\$0.03 per gallon).

3. Sugar beets. In connection with the program for cutting output of alcohol from sugar beets, and diverting beets to sugar mills, the government will assist in the export of the surplus sugar produced, insofar as funds are available from savings resulting from the lower production of subsidized alcohol.

4. Potatoes. An appropriation of 100 million francs (\$286,000) has been made available to the Ministry of Agriculture to subsidize exports of potatoes and potato flour and starch.

(over)

Development of Export Outlets

In speaking of trade problems to the press, Minister of Agriculture Sourbet gave high priority to prospecting for foreign markets. "Foreign markets must be the object of detailed and continued studies. To achieve this, it is, in my opinion, necessary to have agricultural attaches in certain countries and to intensify the system of exchange of market information." Mr. Sourbet mentioned both Eastern and Western European countries as outlets for French agricultural products. Under the three-year trade agreement with West Germany now being negotiated, doubling of French agricultural exports should be the French goal, he indicated.

Agricultural Mutual Guarantee Fund

This Fund, provided for by a decree-law of September 30, 1953, is now being set up, with an initial appropriation from the Treasury of 7 billion francs (\$20 million). The Minister of Agriculture has stated that he favors having the fund support agricultural prices by planning production in relation to market requirements and by regulating distribution through the operation of storage programs. The Fund would in effect be a managing board for the various special Funds now functioning or to be set up for supporting the prices of dairy products, meat, fats and oils, wheat, and so forth. Part of the financing would come from the special Funds, part from the State, and part from producer contributions. According to the Finance Minister, the government, in view of the present difficulties of agriculture, has "decided that farmers would be asked to contribute to the Fund only from 1956 on, in accordance with ways and means that will be determined after consultation with agricultural organizations. If necessary, additional appropriations will be made available in the course of 1955 in order to complete the endowment of the Fund."

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UNITED STATES DEPARTMENT OF AGRICULTURE
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FATP 7-55

★ JUN 28 1955 ★

June 15, 1955

THE BOX SCORE FOR 1954 AGRICULTURAL EXPORTS 1/

Five countries received over half the total value of agricultural products exported by the United States in 1954. In descending order of export value, these countries are Japan, the United Kingdom, Canada, West Germany, and the Netherlands. Each of them took over \$200 million worth. They are traditionally among the largest recipients of U. S. agricultural exports: The first four held the same order as in 1953; the Netherlands moved up from sixth place, replacing Cuba in fifth position. However, a large part of Dutch shipments go to other countries.

Review of the box score by major commodity groups shows that the principal recipient of grains and of cotton was Japan; fats, oils and oilseeds, the Netherlands; tobacco, the United Kingdom; and fruits, nuts, and vegetables, Canada.

Review by countries shows that the top export to Japan and West Germany was cotton; to the United Kingdom, tobacco; to Canada, fruits, nuts, and vegetables; and to the Netherlands, fats, oils and oilseeds.

Total value of agricultural exports in 1954 was \$203 million more than in 1953. Commodity groups showing increases were cotton and linters; fats, oils and oilseeds; and fruits, nuts, and vegetables. These increases were fairly general for all five top countries.

* * *

Exports of grains continued down in 1954 as both quantity and price fell. However, none of the top five countries showed much decline. Principal countries that took less were India, Korea, Mexico, Italy, and Egypt. The decrease to Korea reflected less U. S. foreign aid. The drop to the others was due to better harvests in those countries and elsewhere.

Cotton exports were up 50 percent in value after 2 years of decrease. Limited foreign supplies and strong mill demand abroad favored sales. Most of the important foreign markets for U. S. cotton shared in the increase, but especially Japan, West Germany, the United Kingdom, India, and France.

Fats, oils and oilseeds reached a 5-year export peak, with cottonseed oil the main gainer. Shipments to the Netherlands, some of them transshipped to other countries, accounted for \$70 million of the \$180 million gain in this commodity group.

1/ Prepared in the Trade Statistics and Economic Geography Branch.

Unmanufactured tobacco declined in export value after reaching a peak in 1953. Both the United Kingdom and West Germany, principal outlets for U. S. tobacco, shared in the decline.

* * *

All five top recipients took a greater value of U. S. agricultural products in 1954 than in 1953. Biggest increase was registered for the Netherlands, next biggest for the United Kingdom. Shipments to the Netherlands almost doubled in value in 1954 over 1953. Increases to the four others were from 15 to 25 percent.

Japan's greater takings from the United States in 1954 were due to a 50 percent increase in the value of cotton shipments. Takings of other commodity groups changed only slightly in value.

Shipments to the United Kingdom increased for the second year in a row after a sharp decline in 1952 compared with 1951. Cotton, as well as fats, oils and oilseeds, increased in 1954 after the decline of the year previous. Fruits, nuts, and vegetables reached their highest value in 5 years.

Shipments to Canada increased in value in all commodity groups except tobacco, for which Canada is only a small U. S. market.

West Germany took a greater value of U. S. cotton; fats, oils and oilseeds; and fruits, nuts, and vegetables. Grains continued the downward trend that started in 1953. Unmanufactured tobacco was down after 2 years of heavy exports.

Shipments to the Netherlands were greater in all commodity groups, particularly fats, oils and oilseeds. But much of the shipments was transit trade that went directly to other countries. Of \$246 million shipped in 1954, \$181 million actually was imported into the Netherlands, according to their statistics. And much of this--especially cotton, fats and oils, and meat products--was processed and re-exported.

Other notable changes in trade, by countries:

...India's takings of U. S. cotton and linters increased 6-fold in 1954 over 1953; this increase almost offset the sharp reduction in the value of grains occasioned by record harvests there.

...Farm exports to Italy declined in value for the third successive year. The decline was principally attributable to a sharp reduction in grain shipments.

...Agricultural exports to Mexico fell off sharply due to smaller grain shipments. Mexico's harvest of corn was much improved in 1954.

...Spain's takings of U. S. agricultural products continued to increase. Most of the gain was in grains.

United States Agricultural Exports to Major Countries of Destination by
Major Commodity Groups

(Calendar years ending December 31)

Country and year:	Total	: Grains	: Cotton	: Fats, oils	: Tobacco	: Fruits	:
:	:	: and	: and	: and	: unmanu-	: nuts and	: Other
:	:	: preps.	: linters	: oilseeds ^{1/}	: factured	: vogs.	:
- - - - - Million dollars - - - - -							
Total							
1950	2,873.0	838.0	1,024.0	270.0	251.0	179.0	311.0
1951	4,040.0	1,488.0	1,146.0	467.0	326.0	212.0	401.0
1952	3,427.0	1,481.8	873.5	304.4	245.5	251.2	270.6
1953	2,843.8	1,058.1	521.2	310.3	340.8	251.4	362.0
1954	3,046.3	749.4	787.7	493.5	303.1	295.0	417.6
Japan							
1950	349.0	90.0	219.0	21.0	2/	2.0	17.0
1951	420.0	148.0	182.0	55.0	2.0	2.0	31.0
1952	428.7	183.7	176.1	39.6	6.3	2.3	20.7
1953	367.2	142.8	115.7	66.4	8.5	3.0	30.8
1954	417.7	142.3	175.1	69.2	5.9	1.6	23.6
United Kingdom							
1950	265.0	55.0	101.0	1.0	84.0	8.0	16.0
1951	501.0	139.0	100.0	54.0	147.0	7.0	54.0
1952	273.9	100.9	87.3	26.0	36.3	7.7	15.7
1953	295.9	84.9	53.4	9.6	126.8	8.0	13.2
1954	362.7	82.6	92.5	38.3	109.8	17.4	22.1
Canada							
1950	248.0	48.0	64.0	38.0	2.0	70.0	26.0
1951	300.0	35.0	88.0	44.0	1.0	86.0	46.0
1952	259.3	26.4	53.3	35.8	0.9	114.0	28.9
1953	246.3	21.7	40.9	32.8	1.7	112.0	37.2
1954	298.5	29.8	50.9	44.7	1.6	130.5	41.0
West Germany							
1950	358.0	113.0	115.0	51.0	33.0	5.0	41.0
1951	366.0	199.0	112.0	20.0	27.0	1.0	7.0
1952	279.3	115.2	79.1	25.0	44.7	5.3	10.0
1953	218.8	72.6	44.3	24.2	43.2	5.1	29.4
1954	266.8	62.5	88.9	44.1	26.8	10.0	34.5
Netherlands							
1950	134.0	51.0	38.0	22.0	11.0	5.0	7.0
1951	158.0	63.0	44.0	27.0	11.0	6.0	7.0
1952	159.3	64.7	29.3	34.1	16.4	8.0	6.8
1953	133.9	40.5	12.9	39.1	16.6	10.1	14.7
1954	246.4	43.1	21.8	110.7	17.0	19.2	34.6

United States Agricultural Exports to Major Countries of Destination by
Major Commodity Groups---Continued

(Calendar years ending December 31)

Country and year:	Total	Grains and preps.	Cotton linters	Fats, oils and oilseeds ^{1/}	Tobacco, unmanufactured	Fruits, nuts and vegs.	Other
- - - - - Million dollars - - - - -							
Cuba							
1950	142.0	70.0	4.0	26.0	2.0	25.0	15.0
1951	159.0	66.0	4.0	37.0	2/	27.0	25.0
1952	154.0	66.1	3.9	25.1	3/	30.9	28.0
1953	143.4	73.7	1.6	23.3	3/	24.6	20.2
1954	133.5	52.9	4.7	33.1	0	23.5	19.3
France							
1950	146.0	20.0	110.0	7.0	4.0	1.0	4.0
1951	148.0	26.0	100.0	11.0	5.0	2.0	4.0
1952	108.8	38.7	59.9	1.5	5.1	2.0	1.6
1953	112.7	9.1	84.7	6.3	3.4	6.7	2.5
1954	124.6	0.5	107.2	5.6	6.1	1.8	3.4
Italy							
1950	153.0	27.0	103.0	15.0	2.0	1.0	5.0
1951	213.0	38.0	126.0	41.0	2.0	3.0	3.0
1952	191.6	53.2	119.5	11.6	2.4	2.2	2.7
1953	103.6	32.0	42.6	8.1	4.4	1.7	14.8
1954	91.5	1.0	56.5	12.6	3.2	1.5	16.7
Belgium							
1950	99.0	33.0	25.0	16.0	9.0	9.0	7.0
1951	167.0	59.0	58.0	29.0	12.0	8.0	1.0
1952	127.3	66.7	26.3	13.4	6.6	8.4	5.9
1953	77.7	38.4	8.8	9.5	5.1	8.9	7.0
1954	85.3	27.6	15.9	15.5	5.0	12.7	8.6
Yugoslavia							
1950	14.0	1.0	7.0	3.0	2/	1.0	2.0
1951	96.0	24.0	23.0	21.0	2/	5.0	23.0
1952	41.0	12.2	19.7	7.1	0.8	3/	1.2
1953	74.4	50.2	11.9	4.6	1.3	0.7	5.7
1954	74.4	53.0	8.3	6.9	0.4	3/	5.8
Venezuela							
1950	75.0	15.0	1.0	5.0	2/	14.0	40.0
1951	77.0	19.0	2.0	3.0	2/	13.0	40.0
1952	68.0	15.1	3/	3.0	0.5	12.6	36.8
1953	68.6	18.1	3/	1.8	0.5	11.1	37.1
1954	63.6	15.6	3/	2.4	0.5	12.1	33.0

United States Agricultural Exports to Major Countries of Destination by
Major Commodity Groups---Continued

(Calendar years ending December 31)

Country and year:	Total	: Grains	: Cotton	: Fats, oils	: Tobacco	: Fruits	: Other
		: and	: and	: and	: unmanu-	: nuts and	: vegs.
		: preps.	: linters	: oilseeds ¹	: factured		
----- Million dollars -----							
Mexico							
1950	53.0	34.0	2/	6.0	1.0	2.0	10.0
1951	90.0	46.0	2/	15.0	2/	6.0	23.0
1952	100.0	46.1	0	15.6	2.2	15.0	21.1
1953	103.2	52.6	3/	13.0	2.2	12.7	22.7
1954	59.4	16.1	0	15.1	3.7	6.0	18.5
Spain							
1950	26.0	3.0	13.0	9.0	2/	1.0	2/
1951	88.0	13.0	39.0	33.0	2.0	2/	1.0
1952	25.9	2.4	22.4	0.2	0.7	3/	0.2
1953	37.1	13.3	20.1	0.2	1.6	0.3	1.1
1954	57.2	29.2	21.1	0.4	2.1	0.1	4.3
Philippines							
1950	50.0	10.0	2.0	4.0	7.0	4.0	23.0
1951	55.0	9.0	2.0	5.0	6.0	6.0	27.0
1952	54.7	10.5	1.0	2.3	15.4	5.0	20.5
1953	59.2	10.6	2.3	2.8	11.4	5.7	26.4
1954	54.1	8.9	1.4	2.4	11.0	5.2	25.2
India							
1950	108.0	27.0	74.0	2/	5.0	2/	2.0
1951	340.0	205.0	127.0	2/	5.0	2/	3.0
1952	258.6	158.5	94.7	0.2	4.3	3/	0.9
1953	54.2	43.9	5.7	0.3	1.3	3/	3.0
1954	44.4	1.7	37.6	0.1	1.4	3/	3.6
Taiwan (Formosa)							
1950	6.0	1.0	2.0	2.0	2/	0	1.0
1951	24.0	6.0	8.0	4.0	1.0	2.0	3.0
1952	27.4	4.8	12.1	9.3	0.8	0.1	0.3
1953	44.0	9.3	18.6	13.7	1.0	3/	0.9
1954	43.6	14.0	15.4	10.3	1.5	3/	2.4
Switzerland							
1950	39.0	9.0	5.0	8.0	8.0	4.0	5.0
1951	64.0	15.0	20.0	11.0	8.0	7.0	3.0
1952	46.2	14.9	6.3	6.9	7.4	5.9	4.3
1953	31.1	2.7	4.0	4.9	8.2	7.6	3.7
1954	41.3	2.7	7.2	7.9	8.5	10.5	4.5

United States Agricultural Exports to Major Countries of Destination by
Major Commodity Groups---Continued

(Calendar years ending December 31)

		: Grains	: Cotton	: Fats, oils	: Tobacco	: Fruits	:
Country and year:	Total	: and	: and	: and	: unmanu-	: nuts and	: Other
		: preps.	: linters	: oilseeds ^{1/}	: factured	: vegs.	:
- - - - - Million dollars - - - - -							
Korea							
1950	10.0	1.0	9.0	0	0	0	0
1951	28.0	21.0	6.0	2/	0	1.0	2/
1952	69.0	56.8	11.3	0.4	0	3/	0.5
1953	66.6	51.5	7.9	2.1	0	0.1	5.0
1954	39.0	8.4	20.4	2.6	0	0.1	7.5
Israel							
1950	26.0	8.0	1.0	2.0	1.0	1.0	13.0
1951	38.0	15.0	2.0	4.0	2/	1.0	16.0
1952	30.3	17.4	1.9	4.6	0.2	1.1	5.1
1953	33.9	12.9	2.5	2.0	0.2	0.7	15.6
1954	35.0	7.5	3.0	3.9	0.1	3.4	17.1
Australia							
1950	14.0	0	0	0	13.0	2/	1.0
1951	24.0	0	7.0	2/	14.0	2/	3.0
1952	24.0	3/	3.8	0.2	18.0	3/	2.0
1953	25.3	3/	3.1	0.2	21.9	3/	0.1
1954	33.8	3/	10.3	0.3	22.7	0.1	0.4
Colombia							
1950	27.0	4.0	13.0	4.0	2/	3.0	3.0
1951	28.0	7.0	12.0	2.0	2/	1.0	6.0
1952	27.9	7.5	11.2	5.8	3/	0.4	3.0
1953	15.9	5.2	1.7	4.3	3/	0.5	4.2
1954	30.9	9.8	1.5	3.4	0.1	2.5	13.6
Sweden							
1950	22.0	1.0	10.0	2/	8.0	3.0	2/
1951	31.0	7.0	12.0	1.0	10.0	1.0	2/
1952	38.8	11.0	13.5	1.1	8.2	4.6	0.4
1953	19.0	0.2	5.3	1.3	7.3	4.5	0.4
1954	30.1	0.7	10.7	2.0	7.5	8.3	0.9
Norway							
1950	33.0	18.0	2.0	3.0	4.0	2/	6.0
1951	32.0	18.0	5.0	4.0	4.0	1.0	2/
1952	30.3	18.6	2.1	2.7	4.7	1.4	0.8
1953	24.4	12.6	1.9	2.3	4.6	2.0	1.0
1954	25.8	11.0	2.8	2.4	4.9	2.8	1.9

United States Agricultural Exports to Major Countries of Destination by
Major Commodity Groups---Continued

(Calendar years ending December 31)

Country and year:	Total	Grains and preps.	Cotton and linters	Fats, oils and oilseeds ^{1/}	Tobacco and manufactured	Fruits, nuts and vegs.	Other
- - - - - Million dollars - - - - -							
Greece							
1950	49.0	33.0	6.0	2/	0	1.0	9.0
1951	61.0	49.0	2/	3.0	0	2.0	7.0
1952	28.4	27.3	0	3/	3/	0.2	0.9
1953	26.7	11.7	0	0.5	0	1.8	12.7
1954	22.6	16.3	0.6	0.1	0	3/	5.6
Ireland							
1950	35.0	22.0	1.0	1.0	10.0	0	1.0
1951	32.0	16.0	1.0	2.0	12.0	0	1.0
1952	27.8	13.5	0.6	0.7	10.9	1.1	1.0
1953	30.4	14.8	0.7	0.4	12.2	0.9	1.4
1954	19.6	4.4	1.0	1.2	10.0	1.2	1.8
Denmark							
1950	25.0	3.0	6.0	4.0	7.0	2/	5.0
1951	29.0	7.0	9.0	2/	5.0	2/	8.0
1952	20.1	5.1	5.8	2.8	5.6	0.1	0.7
1953	19.9	0.6	5.8	4.2	7.5	0.2	1.6
1954	19.5	0.5	3.9	4.4	5.9	0.2	4.6
Austria							
1950	66.0	39.0	10.0	8.0	3.0	3.0	3.0
1951	72.0	47.0	13.0	9.0	2.0	2/	1.0
1952	51.1	35.5	7.1	5.6	2.5	3/	0.4
1953	44.4	25.6	11.1	3.2	1.9	0.1	2.5
1954	17.7	5.8	4.6	3.5	1.3	3/	2.5
Indonesia							
1950	14.0	8.0	2.0	2/	4.0	2/	2/
1951	31.0	18.0	5.0	2/	8.0	2/	2/
1952	24.1	12.0	2.8	0.1	8.8	0.1	0.3
1953	23.3	10.4	3.3	0.1	8.7	0.2	0.6
1954	14.0	1.0	5.0	0.1	7.1	0.2	0.6
Egypt							
1950	4.0	1.0	0	2/	2.0	0	1.0
1951	29.0	24.0	0	1.0	2.0	2/	2.0
1952	35.0	29.5	0	3.0	2.3	0.1	0.1
1953	31.3	24.2	0	3.0	3.7	0.1	0.3
1954	11.7	2.3	0	3.8	3.6	0.1	1.9

United States Agricultural Exports to Major Countries of Destination by
Major Commodity Groups---Continued

(Calendar years ending December 31)

Country and year:	Total	Grains	Cotton	Fats, oils	Tobacco	Fruits	Other
		and	and	and	manufactured	nuts and vegs.	
		preps.	linters	oilseeds ^{1/}			
<hr/>							
<div>- - - - - Million dollars - - - - -</div>							
<hr/>							
Other							
1950	283.0	93.0	81.0	14.0	31.0	16.0	48.0
1951	339.0	149.0	39.0	31.0	40.0	24.0	56.0
1952	416.2	267.5	22.0	20.7	23.5	22.7	49.8
1953	311.4	171.0	10.4	26.1	35.6	22.1	46.2
1954	281.6	98.2	19.4	46.5	35.4	24.0	58.1

^{1/} Includes fats and oils of both animal and vegetable origins.

^{2/} Less than \$500,000.

^{3/} Less than \$50,000.

Compiled from Bureau of the Census Reports FT 410 and 420, calendar year issues.



FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D. C.

FATP 8-55

June 2, 1955

Outlook for Honduran Imports *

The outlook for imports into Honduras during 1955 is not clear at the present time. On the one hand, foreign exchange receipts from reduced banana exports will tend to restrict Honduras' ability to import. On the other hand, some expansion in consumer purchasing power is expected to take place as the Five-Year Development Plan involving the investment of \$164 million starts pouring money into the economy, and this rise in purchasing power will tend to increase demand for imported consumer goods. An important but still largely unknown factor in the situation is the new tariff that became effective April 15, 1955; this measure is designed to restrict imports of non-essential goods, but it is still too early to ascertain how restrictive the new tariff will be in actual practice. Agricultural imports from the United States are expected to be maintained.

Economic Situation in 1954

The steady progress of the Honduran economy in recent years was interrupted during 1954 by two extraordinary factors: The great strike affecting the export and transportation industries that broke out in May and lasted into July, and the devastating flood in the banana areas in late September. In addition, political uncertainty was a persistently depressive factor, particularly during the last half of the year. The effect of these factors was a downward economic readjustment amounting to 12 percent measured in terms of gross national product. In terms of foreign trade, the slide was greater, with total exports down 20 percent compared with the previous year (from \$68 million to \$55 million); and imports down 7 percent (from \$53.8 to \$49.8 million). Although the economy is recovering slowly from these blows, as much as two years may elapse before 1953 levels are regained.

Strike.

Perhaps the most significant economic development during 1954 was the May-July strike. It was important also for its probable future effect on the economy and Governmental policies. It was a turning point in labor-management

* Prepared for publication by the Latin American Analysis Branch from Embassy despatch written by Norman E. Warner.

relations and resulted in basic labor legislation adopted in February 1955. Under this legislation the State has assumed the burden of "assuring each worker economic conditions necessary for the enjoyment of a fitting standard of living". Through the strikes the workers gained wage increases averaging from 10 to 20 percent and certain improvements in working conditions. It has now become apparent that workers' organizations will be a permanent and dynamic, although somewhat imponderable, factor in Honduras' economic life. This is particularly significant for agriculture since an estimated 84 percent of the Honduran labor force is engaged in agricultural pursuits.

Flood.

The flood on the north coast of Honduras in late September hit a particularly vulnerable point in the economy by crippling the export trade in bananas. The country has been heavily dependent for many years upon the exportation of bananas to obtain foreign exchange. In 1953 bananas supplied more than 60% of total exports and in previous years the percentage was higher still. Employment by the banana industry amounted to 35,000 men or more. Heavy investment of capital by the two producing companies has been an additional important source of foreign exchange. As a result of the flood, however, commercial banana production was cut to one-third of pre-flood levels, foreign exchange receipts declined severely, unemployment became a serious problem in the banana growing areas, and government policies had to be revised in the light of these changed conditions.

The flood also resulted in some diminution in the harvest of food crops, particularly of corn and beans. To reduce hardships from these losses, the Government put a temporary embargo on the exportation of basic foodstuffs, abolished the import tax on rice, and undertook an emergency replanting program in the hardest-hit areas along the Ulua river valley. In addition, the Government requested and received some 1200 tons of corn, beans, and rice under the famine relief provisions of United States Public Law 480, and more than \$1 million worth of food packages were distributed by the CARE organization.

Foreign Trade.

Foreign trade declined sharply during 1954 from the previous year's record levels. The decline in exports was most severe during the last quarter of the year, which corresponds to the flood period. The 7 percent decline in imports was due primarily to the slowdown in trade caused by the strike and flood and by the atmosphere of political uneasiness. The United States continued to be Honduras' best customer and heaviest supplier during 1954, taking almost 80 percent of total exports and supplying 67 percent of Honduras' imports. The outlook for the United States in Honduras' import market continues to be good, and some improvement in the United States position may occur as a result of the promulgation of the new tariff on April 15, 1955, since under the United States-Honduras Trade Agreement of 1936 certain important items such as automobiles, cotton textiles, and dried milk will enjoy an even wider margin of preference than formerly.

The principal agricultural items that the United States sends to Honduras are wheat flour and other grains and dairy products. United States exports of selected agricultural items during the past two years are as follows:

U.S. Exports to Honduras, principal agricultural products

<u>Product</u>	<u>1953</u>	<u>1954</u>
Wheat flour	482	513
Rice	-	112
Barley malt	198	186
Other grains	531	448
Lard	-	1
Margarine	22,273	24,081
Dairy products	352,942	466,565
Tobacco	173,151	171,617

Prospects for 1955

Recovery of the Honduran economy from the 1954 setbacks may be speeded by the Five-Year Development Plan that was drawn up in 1954 with the aid of specialists from the International Bank for Reconstruction and Development. The plan calls for the investment of up to \$164 million during the period 1955-60, almost 60 percent of which is to be devoted to road construction and improvement, and 15 to 20 percent to agricultural development. Although the increased rate of development work should result in important benefits to the economy in the long run, implementation of the plan may entail some immediate tightening of the belt as the Government increases taxes and seeks to conserve foreign exchange for the purchase of capital goods rather than for "non-essential" items of consumer goods. Higher income taxes and customs duties have already been put into effect and the inflationary pressures inherent in a large potential expansion of bank credit were recently curbed by a rise in reserve requirements.

Five-Year Development Plan.

The plan was drawn up in October and November of 1954 and results from the conviction of leaders in the country that the Government should take the lead in providing certain basic economic and social facilities. It proposes that highways connect the agricultural areas with industrial regions and internal and external markets. It contemplates the investment of up to \$20 million in irrigation, mechanization of agriculture, artificial insemination centers, reforestation, coffee development, well drilling, fish culture, colonization, and plant disease and pest control work. Under the United States technical assistance program, technicians have been operating in several of these fields and an expert from the Food and Agriculture

Organization of the United Nations has been studying the possibility of raising fresh water fish. Both of these programs will dovetail with the development plan.

Agriculture.

The importance of agriculture in the Honduras economy is tending to increase rather than decrease. More than 50 percent of the gross national product is derived directly from agriculture, and a much larger percentage indirectly. The decline in the total national product in 1954 was almost entirely accounted for by a decline in the value of agricultural production, which was 20 percent below the previous year's level. About 85 percent of the foreign exchange receipts is derived from the exportation of agricultural commodities, the principal ones being bananas and coffee, followed by abaca. Cotton may be added to the list of important export commodities in the near future if present plans for plantings of that crop are carried through successfully.

The Government is interested in increasing and improving its agriculture and has developed several programs to this end. The National Development Bank increased its credit operations notably during 1954 and nearly three-fourths of its loans were channeled toward increasing agricultural production. Loans for coffee cultivation were the largest single item. An experimental price support program for corn and beans was undertaken by the Bank in 1954. By assuring a minimum price to the producer the Bank hopes to stimulate production of basic items of the diet and at the same time enter the market as a seller, enabling reduced costs to the consumer. The Bank inaugurated a new rice mill in the port city of Puerto Cortes; constructed coffee processing facilities at Marcala near the Salvadoran frontier, grain storage plants at various points in the republic, and a livestock feed plant at Tegucigalpa.

In addition to the loans made for coffee production, the Government has expressed an interest in encouraging and assisting the coffee industry by increased allocations of funds to existing agencies handling coffee, by building roads into coffee producing areas to provide easier access to markets, and by revising taxes on coffee in the new tariff, fixing the export duties on a sliding scale based on world prices. It is believed that coffee shipments will achieve a new high in fiscal year 1955 and that coffee will be of greater relative importance as a foreign exchange earner than heretofore.

Efforts continued during 1954 to improve the quality of livestock and to implant better feeding and handling practices. These efforts were carried out primarily through the Directorate General of Animal Husbandry of the Department of Agriculture complemented by the United States-Honduran cooperative agricultural service known as STICA.

Another aid to agricultural development is the Comayagua valley irrigation project, which was partially completed in 1954. This is an experiment in low-cost irrigation and is designed to irrigate approximately 2,800 acres. A considerable expansion of irrigation works may result from the Development Plan.

Trade Outlook.

The outlook for Honduran exports is pessimistic during the next two years. It seems probable that they will drop to around \$40 million during 1955 and recover to between \$50 and \$60 million in 1956. This estimate is based on the expectation that banana production will be restored to normal within the next two years and that the world coffee market will stabilize itself at comparatively high levels. It is expected that banana exports will continue at about one-third of normal until the end of 1955 when new plantings are expected to begin bearing fruit with a return to the pre-flood level of exports late in 1956. During 1955, if four million stems are exported, foreign exchange receipts from that source would amount to around \$14 million compared with \$41 million derived from the 12 million stems exported in 1953. On the other hand, exports of coffee and other products may increase above the 1954 figures.

Honduras usually has a favorable balance of trade, but because of the reduced export prospects, an unfavorable balance of trade could persist for the next several years. A precarious equilibrium might be maintained during 1955 and 1956 if the Government's measures to control imports of consumer goods are successful and if imports of capital goods are restricted. A strong demand for capital goods imports, however, will arise from the implementation of the Five-Year Development Plan. Honduras' balance of current payments is expected to continue slightly unfavorable, as in the past, the deficit being covered by long term capital movements. These latter have been an important factor in the balance of payments position in recent years and it is probable that the investment of foreign capital will prove of even greater importance during the next few years.

Because of the prospects for decreased exports, the Government is anxious to restrict imports to essential items. The new tariff, effective April 15, 1955, raises import duties on a wide variety of goods and may have some restrictive effect. At the present time, however, the bilateral Trade Agreement between the United States and Honduras binds the rate of duty to the United States at previously existing levels on many items in the trade. There is no indication that Honduras is planning to revise its policy of permitting unrestricted exchange transactions or abandon its corollary policy of not requiring import permits.

With particular respect to agricultural import items, the products obtained from the United States presently in Schedule I of the Trade Agreement between the two countries at bound rates include most the important

trade items: Wheat flour; condensed, evaporated, and dried milk; dried and canned fruits; fresh apples, pears, plums, grapes, cherries, strawberries; rolled oats, oatmeal, and other breakfast foods; hams, sausages and other preserved meats; biscuits and crackers; and canned tomatoes, corn, peas, asparagus.

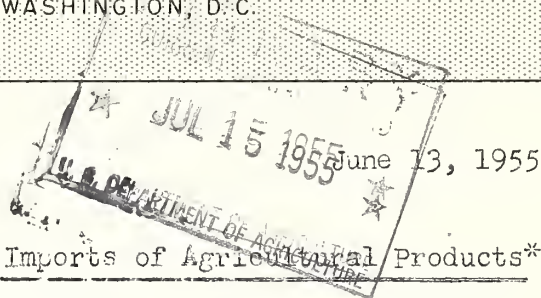
Even though the outlook for total imports is uncertain, it appears that imports of agricultural products from the United States will be maintained at near existing levels during the coming two years.



FOREIGN AGRICULTURE CIRCULAR

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FATP 9-55



West-Germany: Barriers to Imports of Agricultural Products*

The great improvement that has taken place in West-Germany's dollar position during 1953 and 1954 has made it possible for the government to remove quantitative restrictions on a wide variety of imports from the dollar area. This action included important agricultural products such as raw cotton, leaf tobacco, and hog grease for technical uses (February 1954), and oilseeds and a number of minor items (May 1955). In 1954 U. S. agricultural exports to West-Germany were valued at about \$270 million; the increase over 1953 was especially pronounced for cotton and soybeans. West-Germany was fourth in importance, both in 1953 and in 1954, among foreign outlets for our farm products, ranking after Japan, the United Kingdom, and Canada.

German agriculture nevertheless remains strongly protected against competition from the United States and other foreign sources. The following is a condensed review of the principal types of barriers to the importation of agricultural products into West-Germany as they exist today.

(1) Tariffs and Import Fees. Tariff levels are moderate, but there are variable import fees on grains, livestock products, including butter, lard, margarine, and other cooking fats, (commodities controlled by special Import Agencies) to equalize import prices with the desired prices for domestic producers.

(2) Quantitative Restrictions (incl. exchange control). Apart from cotton, tobacco, and oilseeds, most agricultural imports are subject to quantitative control by import license and exchange permit, or by import monopoly. These restrictions discriminate against dollar imports, especially of commodities regarded as less essential, such as fruit which, thus far, has

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* Prepared by European Analysis Branch, FAS.

been imported from the dollar area under a premium system only, the premium paid for the dollars being used to subsidize some German exports. The system is in process of liquidation.

(3) State Trading or Trade Monopolies. Government supervised Import Agencies exercise monopoly control over imports of grain, sugar, fats, livestock and meat, and dairy products. This control equalizes the import prices with the desired prices for domestic producers. The control discriminates against dollar imports, to carry out bilateral trade agreements.

(4) Bilateral Trade Agreements. West-Germany has such agreements with a great number of countries, frequently stipulating import "aims" or quotas for major agricultural products - an indication of discrimination against the United States.

(5) Regional Preferences. West-Germany has removed quantitative restrictions on many imports from countries belonging to the Organization for European Economic Cooperation, including their overseas territories plus others that also clear through the European Payments Union. Farm products thus liberalized (but not liberalized for dollar imports) include, among others, citrus fruit, dried fruits and nuts, canned juices and concentrates, and vegetable oils.

(6) Export Subsidies. The allocation of dollars at premium rates for imports of certain "less essential" products (including fruit) from the dollar area is part of a system of export subsidies to "deserving" German industries (beer, canned hams, deliveries of milk to U.S. armed forces in Germany). The premium on import dollars is used to subsidize these exports. The system - of small scope - is now being liquidated.

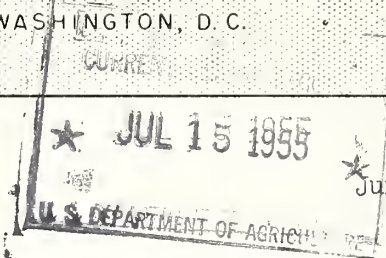
(7) Miscellaneous. Fixed producer prices for grains and sugar-beets and market regulation are among the domestic policies that tend to stimulate production or to reduce imports of farm products.



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June 13, 1955

France: Barriers to Imports of Agricultural Products*

France is among the countries that have not participated in the wide-spread moves toward liberalization and removal of quantitative restrictions for imports from the dollar area. Our exports of agricultural products to France have changed very little during the past three years and were less than half of what we exported to West-Germany. In 1954 our total exports of farm products to France amounted to about \$125 million, most of which was raw cotton, as in previous years.

Quantitative control over imports from the dollar area is particularly severe, but French trade policy is designed to protect agriculture from competition from all foreign countries. The following is a condensed review of the principal types of barriers to the importation of farm products into France as of May 1955.

(1) Tariffs and Import Fees. Tariffs on imports from foreign countries are high. France also imposes special taxes on some of the products that have been liberalized, if coming from members of the Organization for European Economic Cooperation (OEEC); agricultural products so taxed include, among others, eggs, grapefruit, lemons, and dried grapes, and they are taxed whether they come from the OEEC or from other foreign countries. Imports from French territories are practically all duty-free or duty-exempt, and they do not pay the special taxes.

(2) Quantitative Restrictions (incl. exchange control). Most agricultural imports from foreign countries are subject to quantitative control by import license that carries with it the right to foreign exchange. The general policy is to allocate no dollars at the official rate for U.S. farm products other than cotton and tobacco. This policy excludes U.S. fruit and many other products,

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* Prepared by European Analysis Branch, FAS.

except for relatively small quantities imported through compensation arrangements.

(3) State Trading or Trade Monopolies. The State exercises monopoly control over the trade in grains, tobacco, sugar, dairy products, and also edible fluid oils (and the oilseeds) from foreign countries. Imports from French territories and bilateral trade agreement partners are favored over imports from the United States.

(4) Bilateral Trade Agreements. France has such agreements with many countries, usually stipulating import "aims" or quotas for major agricultural products - an indication of discrimination against the United States.

(5) Regional Preferences. Most agricultural imports from French territories enter France virtually unrestricted, either by quantitative regulations or by tariffs. France has also removed quantitative restrictions on many products coming from OEEC countries. Agricultural products thus liberalized (but not liberalized for dollar imports) include, among others, citrus fruit, almonds, filberts, dried grapes, cotton and cotton waste, wool and wool waste, eggs, copra, palm kernels, and coconut and palm kernel oil.

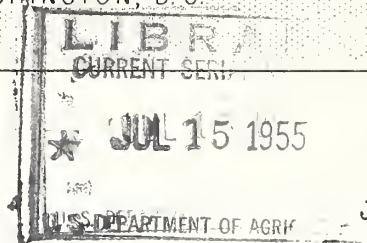
(6) Export Subsidies. France subsidizes exports of wheat, wheat flour, sugar, meat, dairy products, wine and potatoes directly, and, by way of tax rebates, various processed agricultural products such as wine, canned fruits and vegetables, most fresh and dried fruits, sugar, cheese, and canned and powdered milk. Exports are also subsidized through compensation deals, the losses on the exported product being compensated out of the profit on the corresponding import.

(7) Miscellaneous. Price support programs at home and development programs in the French territories are among other measures that tend to stimulate production, reduce imports, and increase exports of farm products.



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June 13, 1955

Italy: Barriers to Imports of Agricultural Products*

With the decline in U. S. economic aid for Italy, our exports of agricultural products to that area have fallen sharply. In 1954, they amounted to only some \$90 million, largely for cotton. Italy has not as yet liberalized imports of agricultural commodities from the dollar area to any appreciable extent, and such imports are nearly all severely controlled. At the same time, commodities from other foreign sources are also subject to many restrictions. The following is a condensed review of the principal types of barriers to the importation of farm products into Italy as they exist today.

- (1) Tariffs and Import Fees. Tariff levels are high. However, the rates currently in effect on a provisional basis are not as high in many cases as those provided in the new tariff schedule adopted in 1950, which has never been applied, but is the basis for all tariff negotiations.
- (2) Quantitative Restrictions (incl. exchange control). Practically all agricultural imports are subject to quantitative control by import license when originating in countries which are not members of the Organization for European Economic Cooperation (OEEC). Licenses for imports from the dollar area are in principle issued only for "necessary" items which cannot be obtained at a "reasonable" price in Italy or the OEEC area. Half of the foreign exchange earned from exports must be delivered to the Exchange Office; the other half may be sold on the "free" market, but only to persons who hold import licenses. The rates on the official and "free" market have been held about the same for the past six years.
- (3) State Trading or Trade Monopolies. Imports of breadgrains and tobacco are government monopolies. United States wheat and tobacco are discriminated against in favor of imports from countries with which Italy has bilateral trade agreements.
- (4) Bilateral Trade Agreements. Italy has such agreements with

* Prepared by European Analysis Branch, FAS.

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many countries; with a number of other countries trade is carried on by means of global compensation. These agreements frequently stipulate import goals for agricultural products, and since the issuance of import licenses depends partly on the requirements of these agreements, the result is discrimination against U. S. imports.

(5) Regional Preferences. Italy has removed quantitative restrictions on most imports from countries belonging to the OEEC (including their overseas territories); the only agricultural products for which licenses are required for imports from these countries are milk and cream, and wine, including grape-must. In contrast, the only agricultural imports from the dollar area of any importance which are free of quantitative restrictions are oilcake and meal.

(6) Export Subsidies. No export subsidies are known to exist in Italy. Exports are, however, exempted from the transactions tax on the sales price.

(7) Miscellaneous. Fixed or supported producer prices for wheat, rice, hemp and sugar beets are among the domestic policies that tend to stimulate production and reduce imports of farm products.

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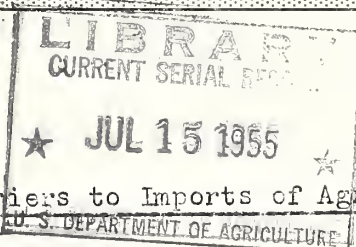


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June 13, 1955



Netherlands: Barriers to Imports of Agricultural Products*

One of the most active trading nations in Europe, the Netherlands has been the leading advocate of European economic integration over the past few years. Its economic union with Belgium and Luxembourg has gradually assumed greater reality. The three countries have a common tariff at low rates. Agricultural imports into the Netherlands from the dollar area, however, are still subject to considerable regulation, and many restrictions remain. In 1954 U. S. exports of farm products to the Netherlands almost doubled compared to 1953 and reached about \$250 million. This made the country fifth in importance for that year. However, much of the increase over 1953 was due to greatly stepped-up transit and processing trade so that a large part of our exports in 1954 was not for consumption in the Netherlands, but for consumption elsewhere. The most important items of this transit and processing increase were linseed oil, tallow and greases, and other fats and oils.

The following is a condensed review of the principal types of barriers to the importation of farm products into the Netherlands as they exist today.

(1) Tariffs and Import Fees. The Benelux countries (Belgium, the Netherlands and Luxembourg) have a common tariff of low rates. In the Netherlands import fees can be imposed on most agricultural products competing with domestic products at any time when deemed necessary in order to influence domestic prices and production in a desired direction.

(2) Quantitative Restrictions (incl. exchange control). Though a number of agricultural products were liberalized in a joint Benelux move in 1954, such important products as wheat and wheat flour, milled rice, lard, fresh meats, dairy products, fresh citrus and deciduous fruits were not included in this liberalization.

(3) State Trading or Trade Monopolies. The Netherlands

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possesses semi-governmental agencies or trade boards for (a) field crops (b) livestock and meat (c) dairy products (d) margarine, fats and oils (e) poultry and eggs, and (f) horticultural products. The boards may concern themselves with production and prices, processing and marketing and regulation of foreign trade in their respective commodities. Though the boards may interfere very little in the handling of a particular commodity and the trend in recent years has been towards freedom from controls, they can take action any time they deem it necessary.

Wheat and wheat flour are as yet imported by a government agency.

(4) Bilateral Trade Agreements. The Netherlands has bilateral trade agreements with many countries. In so far as they contain quantitative commitments concerning agricultural products which also are exported by the United States, they are implicitly discriminatory.

(5) Regional Preferences. Under the Benelux Union no tariffs are applied against imports from Belgium-Luxembourg. The Union aims at a gradual merger of the economies of the three countries. The Netherlands is a member of the Organization for European Economic Cooperation, but agricultural products have been liberalized from the dollar area to the same extent as from the OEEC member countries.

(6) Export Subsidies. The trade boards mentioned above under (3) may apply export subsidies. Bacon and butter exported to the United Kingdom have been subsidized recently.

(7) Miscellaneous. Guaranteed prices or so-called directive prices on wheat, rape seed, sugar, milk and bacon pigs, as well as the variable, broad powers of the trade boards tend to direct agricultural production and prices in whatever direction is considered advantageous. Prescribed minimum rates for the admixture of domestic grain in breadflour protect Dutch production of breadgrains.



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★ JUL 15 1955 ★

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Belgium: Barriers to Imports of Agricultural Products*

U. S. exports of agricultural products, during 1954, to Belgium were only about one-third of those to the Netherlands. Belgium, however, does not have the considerable amount of transit and processing trade in fats and oils and oilseeds that accounted for so much of the high level of our 1954 exports of farm products to the Netherlands. Another member of the so-called Benelux Economic Union, Belgium shares a common tariff at low rates with the Netherlands and Luxembourg. Even though many quantitative restrictions on the imports of agricultural products from the dollar area remain, liberal policies in regard to the granting of import licenses has lessened their impact upon the trade. The following is a condensed review of the principal types of barriers to the importation of farm products into Belgium as they still existed in May 1955.

(1) Tariffs and Import Fees. The "Benelux" countries (Belgium, the Netherlands and Luxembourg) have a common tariff of low rates. Import fees are generally not imposed by Belgium. Tariff-free imports of certain agricultural products from the Netherlands are, however, subject to minimum price regulations and fees, in order to limit competition with lower-priced Dutch products. A move towards greater unification of Belgian and Dutch agricultural policies is under way.

(2) Quantitative Restrictions (incl. exchange control). A number of agricultural products were liberalized in a joint Benelux move in 1954. For most of the agricultural imports not included in the liberalization, import licenses are freely granted. An important exception is deciduous fruits. Imports of such fruits are restricted or prohibited during the months of peak marketings of domestic fruits.

(3) State Trading and Trade Monopolies. Trade in agricultural products is almost entirely in private hands.

(4) Bilateral Trade Agreements. Belgium has bilateral trade agreements with a number of countries. In so far as they contain

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stipulations to facilitate imports of stated quantities of agricultural products which also are exported by the United States, they are discriminatory.

(5) Regional Preferences. Under the Benelux Union no tariffs are applied against imports from the Netherlands, although this preferential treatment is somewhat counteracted by the minimum price and fee regulations mentioned above under (1). The Union aims at a gradual merger of the economies of the three countries. If and when greater unification of agricultural policies takes place, Belgian agricultural policies are likely to take on features of the existing Dutch agricultural institutions.

Belgium is a member of the Organization for European Economic Cooperation, but agricultural products have been liberalized from the dollar area to the same extent as from the OEEC member countries.

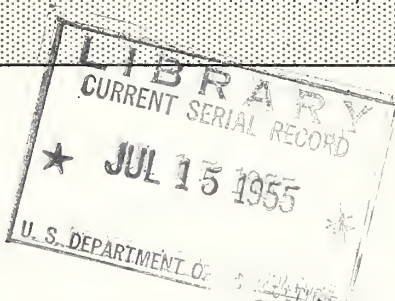
(6) Export Subsidies. In Belgium export subsidies have so far been of little or no importance.

(7) Miscellaneous. Directive prices for wheat, potatoes, dairy products, eggs and pork tend to encourage production of these products. Prescribed rates of admixture of domestic grains in the supply of breadgrains for milling purposes help maintain the directive price for wheat. Production of cheese and milk products is subsidized.



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June 13, 1955

Austria: Barriers to Imports of Agricultural Products*

During the years of large-scale economic aid, Austria depended to a very large extent upon the U. S. for its imports of basic agricultural products. With the reduction in this financial assistance, our exports of farm products to Austria dropped considerably in 1954. Even though the external financial position of the country has greatly improved over the past few years, Austria has not thus far adopted a policy of dollar liberalization as have some other European countries, except for a more liberal regime in the issuance of import licenses. Foreign trade in agricultural products continues to be strictly controlled. The following is a condensed review of the principal types of barriers to the importation of farm products into Austria as they existed in May 1955.

(1) Tariffs. Tariff levels are basically high. However, since the basic tariff law is considered outdated and has not yet been replaced by a new one, a temporary tariff law is now in force which allows in some cases for a flexible application of tariffs.

(2) Quantitative Restrictions (incl. exchange control). Foreign trade in agricultural products is subject to strict quantitative controls. Import licenses are required for controlling type and quantity of almost all imported goods and for the regulation of foreign exchange. These controls discriminate against the dollar area.

(3) State Trading or Trade Monopolies. Except for tobacco which is traded exclusively by the state, there are no trade monopolies proper, but agencies which regulate the domestic prices of grains, fats and dairy products also control the import of these commodities. The domestic prices of these commodities are below world price levels. By withholding subsidies for the import of such goods, these agencies can create barriers to imports.

(4) Bilateral Trade Agreements. Austria has some thirty bilateral trade and payment agreements. These agreements influence

the direction of trade in a way unfavorable to the United States.

(5) Regional Preferences. Austria has removed certain quantitative restrictions on agricultural imports from countries belonging to the Organization for European Economic Cooperation. Liberalization of agricultural imports from this area is more apparent than real, since the Austrian government for all practical purposes retains controls over such imports, but it is nevertheless discriminatory against the United States, for no imports from the dollar area have been liberalized.

(6) Export Subsidies. In order to relieve the pressure on domestic prices, when seasonal surpluses appear, the government assists exports with the help of subsidies.

(7) Miscellaneous. Austria's economic policy aims at stable agricultural prices. The price level set by the government represents a ceiling in times of scarcity and a floor in times of surpluses. Foreign agricultural trade is, therefore, regulated in such a way as not to disturb the domestic price level fixed by the government.



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FATP 15-55

June 15, 1955

AGRICULTURAL TARIFF CONCESSIONS EXCHANGED AT CONFERENCE TO ADMIT JAPAN TO GATT

Tariff concessions exchanged recently between the United States and Japan in conferences at Geneva, Switzerland, will become effective September 10, upon vote of two-thirds of the members of the General Agreement on Tariffs and Trade (GATT) by August 11 to admit Japan to the GATT.

Negotiations were concluded June 7 between Japan and 17 other countries to improve tariff treatment on items of importance in trade between them. The main purpose of the negotiations was to strengthen commercial ties between Japan and other countries of the free world, and to bring Japan into GATT.

United States negotiations with Japan resulted in concessions by Japan on commodities involving \$397 million in imports from the United States, and in concessions by the United States on commodities involving \$178 million in imports from all countries, of which about 75 percent were imports from Japan.

Agricultural imports valued at \$207 million in 1953 are included in Japan's concessions to the United States, while the United States granted concessions on agricultural imports valued at \$33 million from all countries, of which about \$28 million came from Japan. Japanese concessions on agricultural imports from the United States valued at \$202 million, and United States concessions on agricultural imports valued at \$26 million (\$24 million from Japan) represented bindings of existing duty treatment. These figures include certain concessions made by the United States to 6 other countries in return for concessions by them to Japan, and the compensatory concessions which Japan, in turn, gave to the United States.

These concessions will be effective September 10, or as soon thereafter as the countries concerned give effect to their concessions to Japan.

As a consequence of the over-all trade pattern between the United States and Japan, the concessions made by the United States to Japan represent a considerably smaller volume of trade than the concessions made by Japan to the United States, particularly in the field of agricultural products. Japanese imports of all products (agricultural and nonagricultural) from the United States far exceed total Japanese exports to the United States.

While Japan currently is the chief foreign market for United States agricultural products, the United States imports relatively few agricultural products from Japan. For example, in 1953, United States exports to Japan were valued at \$668 million, of which agricultural products accounted for \$367 million, or 55 percent. On the other hand, the United States imported only \$260 million dollars worth of Japanese products, of which \$34 million worth, or less than 14 percent, were agricultural.

The agricultural products included in the new Agreement, the tariff treatment obtained, and the value of the trade, are shown in tables 1 through 4 below. Concessions resulting from the triangular negotiations with the 6 other countries mentioned above are so noted. The first 2 tables summarize the results of the negotiations for each principal agricultural commodity group. The remaining tables show the concessions on individual agricultural commodities.

A detailed analysis of all concessions issued by the Department of State (Publication 5881, Commercial Policy Series 150), includes a discussion of the renegotiation of certain trade-agreement rates of duty by Canada and the Belgian Congo, which is not included in this analysis.

Table 1. Value of Japanese Imports of Agricultural Products from the United States, 1953, by Type of Tariff Concessions Made and by Commodity Group

Description	Dutiable Items		Duty Free Items	Total
	Reduction	Binding	Binding	
(Thousands of dollars)				
Milk	599	1,467	0	2,066
Fruits	1,989	0	0	1,989
Vegetables	1,574	0	0	1,574
Fats and Oils	422	65,053	0	65,475
Cotton	0	0	122,009	122,009
Grains	0	11,549	62	11,611
Other	91	2,150	51	2,292
Total	4,675	80,219	122,122	207,016

Table 2. Value of United States Imports of Agricultural Products, 1953
by Type of Tariff Concession Made and by Commodity Group

Description	: Dutiable Items		: Duty free Items		: Total	
	: Reduction		: Binding		: Total	
	Total	Imports	Total	Imports	Total	Imports
	Imports	from Japan	Imports	from Japan	Imports	from Japan
	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Fruit, vegetable and Horticul- tural Products	3,984	2,335	--	--	3,984	2,335
Other Agricul- tural Products	2,254	1,471	31	31	2,285	1,502
Forest Products	320	318	--	--	320	318
Raw Silk Products	--	--	26,103	23,521	26,103	23,521
Total	6,558	4,124	26,134	23,552	32,692	27,676

Note: Total imports are shown, in addition to imports from Japan, since tariff concessions made by the United States apply to imports from all countries. Concessions are not extended to Communist dominated countries, and any imports from such countries are not included in above data.

Table No. 3. Duty Concessions on Agricultural Products Made by Japan
to the United States, 1955

Japanese			Rates of		Imports
Tariff : Statis-			Duty		from U.S.
no.	: tical no.:	Description	(% Ad valorem)		1953
			:Before:	Under (\$1,000)	
			:Agree-:	Agree-:	
			:ment	: ment :	
<u>Milk</u>					
327	022-0110	Milk, whole, sweetened condensed, in liquid or semi-solid form	30	30	X
	022-0120	Milk, whole, evaporated and unsweetened condensed in liquid or semi-solid form	30	30	16
	022-0190	Milk, whole, evaporated or condensed, n.e.s., in liquid or semi-solid form	30	30	1,447
	022-0220	Milk, whole, sweetened or unsweetened, dried	30	30	3
	022-0290	Milk, whole, sweetened or unsweetened, dried, n.e.s.	30	30	X
341(2)	022-0120	Milk, skimmed, evaporated and unsweetened, condensed, in liquid or semi-solid form	25	25	X
	022-0210	Milk, skimmed, unsweetened, dried	25	Free	599
		(a) For school lunch program	25	25	1
		(b) Other			<u>2,066</u>
<u>Fruits</u>					
301(1)	053-0112	Peaches with sugar added, canned and bottled 1/	35	30	22
	053-0114	Cherries, canned and bottled, with sugar, molasses, syrup, or honey added			
		(a) Maraschino cherries	35	25	52
		(b) Other	35	30	2
	053-0115	Pineapples, canned and bottled, with sugar, molasses, syrup, or honey added	35	25	304
	053-0113	Pears, with sugar added, canned and bottled 1/	35	30	4

Table No. 3. Cont.: Duty Concessions on Agricultural Products Made by Japan
to the United States, 1955

Japanese :		: Rates of : Imports			
Tariff: Statis- :		: Duty : from U.S.			
No. :	tical no.:	Description	:(% Ad val.): 1953		
			:Before	:Under(\$1,000)	
			:Agree	:Agree-	
			: ment	: ment :	
<u>Fruits, Cont.</u>					
301(2A)	053-0114	Cherries, canned and bottled, without sugar, molasses, syrup, or honey added	25	20	1
301(2Bb)	051-0210	Lemons and limes, fresh	20	10	294
	052-0120	Grapes, dried (raisins)	20	10	786
320(1)	053-0410	Fruit juices, unfermented, not over 10% by weight of cane sugar	35	30	174
320(2)	053-0410	Fruit juices, unfermented, without sugar added	30	25	350
					1,989
<u>Vegetables</u>					
301(2A)	055-0230	Asparagus, in airtight containers	25	20	38
321	099-0951	Tomato ketchup	25	20	48
	099-0952	Tomato sauce	25	20	2
	099-0959	Sauces, including mayonnaise, salad dressings, French dressings, chili sauce, sandwich spread, and relishes	25	20	210
341(2)	055-0220	Tomato paste and puree, in airtight containers			
		(a) Imports for packing fish for export	25	Free	1,209
		(b) Other	25	20	X
	055-0270	Vegetable soups and juices, without sugar added, in airtight containers	25	20	67
					1,574
<u>Fats and Oils</u>					
211(1)	221-0400	Soybeans	10	10	49,933
508	412-0300	Cottonseed oil			
		(a) Imports for packing fish for export	10	Free	216
		(b) Other	10	10	325
515(1)	411-0210	Beef tallow	5	5	14,719

Table No. 3, Cont.: Duty Concessions on Agricultural Products Made by Japan
to the United States, 1955

Japanese : Tariff: Statis- : No. : tical no.:			Description		: Rates of : Imports : Duty : from U.S. : (% Ad val.): 1953	
					: Before: Under (\$1,000)	
			<u>Fats and Oils, Cont.</u>		: Agree-: Agree- : ment : ment	
515(2)	091-02200	Lard		10	5	166
527	091-0210	Shortening		15	15	76
	599-0990	Tall oil 1/		15	10	40
						<u>65,475</u>
			<u>Cotton</u>			
802	263-0120	Raw cotton, ginned		Free	Free	122,009
			<u>Grains and Seeds</u>			
209	044-0100	Maize (corn), unmilled, for feeding purposes		10	10	11,549
223	292-0510	Sugar beet seed 1/		Free	Free	23
224	292-0529	Seeds of clover 1/		Free	Free	39
						<u>11,611</u>
			<u>Miscellaneous</u>			
501(1A)	551-0199	Orange oil		Free	Free	51
501(1C)	551-0114	Peppermint oil		20	15	28
	551-0199	Spearmint oil		20	10	16
501(2B)	551-0111	Pine oil		10	5	47
314	061-0931	Dextrose, refined		25	25	343
620	292-0216	Rosin		5	5	1,807
						<u>2,292</u>
Grand Total						<u>207,016</u>

1/ Concessions to the United States in triangular negotiations.

X - Less than \$500.

Table 4. Duty Concessions on Agricultural Products Made by the United States in Negotiations with Japan and Other Countries, 1955

		Rates of Duty		Value of United States Imports (Thousand dollars)		
U. S.		Before	Under	1953		1954
Tariff		Agree-	Agree-	From	Total	Total
Para.	Description	ment	ment	Japan		
<u>Fruits, Vegetables and Horticultural Products</u>						
743	Mandarin oranges, canned	1¢ lb.	1¢ lb.	1,191	1,191	846
748	Prunes, prunelles, and plums, in brine	$\frac{1}{2}$ ¢ lb.	$\frac{1}{4}$ ¢ lb.	33	33	17
753	Lily bulbs	\$4.50 M	\$3.00 M	196	402	389
764	Tree and shrub seeds	3¢ lb.	2¢ lb.	16	59	64
768	Mushrooms, dried	10¢ lb. plus 45%	5¢ lb. plus 25%	278	421	497
775	Vegetables (including horseradish) cut, sliced, parched, roasted, etc., n.s.p.f., (except dehydrated onions or dehydrated garlic in any form)	35%	17 $\frac{1}{2}$ %	614	1,871	1,179
775	Soybeans, prepared or preserved	35%	17 $\frac{1}{2}$ %	<u>7</u> 2,335	<u>7</u> 3,984	<u>15</u> 2,998
<u>Forestry Products</u>						
38	Tanning extracts: oak <u>1</u> /	15%	7 $\frac{1}{2}$ %	---	1	21
404	Japanese maple and Japanese white oak, not further manufactured than sawed and flooring	15% plus \$3 M bd. ft. I.R. tax	7 $\frac{1}{2}$ % plus \$1.50 M bd. ft. I.R. tax	X	1	2

Table 4. Duty Concessions on Agricultural Products Made by the United States
in Negotiations with Japan and Other Countries, 1955

		Rates of Duty		Value of United States Imports (Thousand dollars)		
U.S. Tariff Para.	Description	Before Agree- ment	Under Agree- ment	1953 From Japan	1954 Total	1954 Total
<u>Forestry Products (Cont.)</u>						
1803(1)	Japanese maple and Japanese white oak, not further manufactured than planed, and tongued and grooved	Free; \$3 M bd.ft. I. R. tax	Free; \$1.50 M bd. ft. I.R. tax	312	312	51
409	Split bamboo	1 1/4¢ lb.	5/8¢ lb.	6	6	8
	<u>Raw Silk Items</u>			318	320	82
1762	Silk cocoons	Free	Bind free	7	19	--
1763	Silk, raw, in skeins reeled from the cocoon, or re-reeled, not wound, doubled, twisted, or advanced	Free	Bind free	23,399	25,960	30,662
1763	Wild or tussah sild and dupion silk	Free	Bind free	115 23,521	124 26,103	13 30,675
<u>Other Agricultural Products</u>						
5	Adjinomoto and other monosodium glutamate preparations	25%	20%	700	700	732
712	Turkeys, prepared by removal of the feathers, heads and all or part of the viscera, with or without removal of the feet, but not cooked or divided into portions 2/	10¢ lb.	12 1/2¢; 5¢ lb.min. 10¢ lb. max.	N.A.	N.A.	N.A.

Table 4. Duty Concessions on Agricultural Products Made by the United States in Negotiations with Japan and Other Countries, 1955

U. S. Tariff Para.	Description	Rates of Duty		Value of United States Imports (Thousand dollars)		
		Before	Under			
		Agree- ment	Agree- ment			
				1953	1954	
				From Japan	Total	Total
<u>Other Agricultural Products (Cont.)</u>						
713	Eggs of poultry in the shell (except chicken) ^{3/}	10¢ doz.	5¢ doz.	1	62	65
779	Rice straw and rice fiber	\$10 ton (2,000 lb.)	\$5 ton	--	--	--
804	Rice wine or sake	\$1.25 gal.	\$0.625 gal.	112	113	137
1558	Frog legs and whole frogs (dead)	10%	5%	658	1,379	1,077
1796	Vegetable wax, n.s.p.f.: Japan	Free	Bind free	<u>31</u> <u>1,502</u>	<u>31</u> <u>2,285</u>	<u>34</u> <u>2,045</u>
Grand Total				27,676	32,692	35,800

1/ Concession made to Sweden in triangular negotiations. Imports from Sweden were valued at \$219 in 1953.

2/ Concession made to Canada in triangular negotiations.

3/ Concession made to Benelux in compensation for United States action under P. L. 479, 83d Congress, relating to certain rubber-soled shoes. Imports from the Netherlands were valued at \$14,000 in 1953.

X = Less than \$500.



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U.S. DEPARTMENT OF AGRICULTURE
THE ISRAELI AGRICULTURAL ECONOMY 1/

Introductory Background

The concept of an independent Jewish state and the struggle for its achievement, which culminated in the formation of the State of Israel in 1948, emerged with the initiation of the Zionist movement in the late 19th century; but these developments can be better understood against a background of Jewish history from the time of the dispersion. There is no attempt to provide such a background here; however, it should be noted that Jewish political influence went into eclipse in Palestine and elsewhere during the second century A. D. The Jews were a people without a country, scattered throughout the world and, in general, tolerated as an inferior minority for more than 1700 years until Zionism developed. During the latter half of the 19th century there was a steady movement to establish colonies of European Jews in Palestine. The first settlement was established in 1878, and the first Zionist Congress set up the organizational framework in 1897. The objectives were encouraged in 1917 when, in the Balfour Declaration, the British Government declared its sympathy with Jewish Zionist aspirations. The subsequent allocation of the Mandate of Palestine to Great Britain placed the latter in a difficult position because promises made to the Arabs conflicted with the pledge to help found a Jewish National Home.

Unable no longer to postpone a decision as to whether the Jews should be allowed to increase immigration until they outnumbered the non-Jewish population in Palestine, the British in 1939 adopted a policy of strictly limiting immigration. By the end of the war anti-British feeling had forced Britain into a position where compromise was impossible. When unable to find a solution acceptable to Arabs and Jews, the British decided to refer the question to the United Nations. On November 29, 1947 the General Assembly adopted a scheme of partition.

Britain indicated an intention to enforce no solution which was not acceptable to both Arabs and Jews. The General Assembly had not provided any means for enforcement of its recommendations. Britain maintained her intention to withdraw and end the Mandate on May 15, 1948. As that date approached guerrilla fighting reached a state of open warfare, and on May 15, when the State of Israel was proclaimed, regular forces of Egypt, Jordan, and Iraq moved into Palestine. Arab forces occupied those Arab areas not under Jewish control but their military success was limited to part of Jerusalem.

1/ Prepared by George L. Robbins, Regional Economist, Asia and Middle East Analysis Branch.

The outcome of the conflict was to leave Israel in possession of more of the former mandated area than had been recommended by the UN, plus such basic problems as an impractical frontier that is a cause of continuing dispute, the lack of a final peace settlement, and the question of Arab refugees.

Even though Israel is small both in area and in population, any change in its economy is felt beyond the borders of the country. For example, dependence on the outside world for food and raw materials has made it the leading market in the Middle East for United States goods, both farm products and all commodities combined. During the years 1950-53 Israel's average annual imports were equivalent to about \$215 per person, one-third of which originated in the United States. More basic is the political crisis which could result if Israel is unable to become self-supporting or to otherwise maintain approximately the present standard of living.

The economic policy followed in Israel to date is unique. The standard of living of a new nation usually is considered to be determined by what can be produced domestically from available resources, and the supply of capital is normally limited. But, in Israel, the standard of living was predetermined and sufficient capital was combined with other resources to attain the level. Moreover it was a "European" standard far above that of any other Middle Eastern country, and, in a country with so few natural resources as Israel, the capital investment necessary to attain and maintain such a level is large. In fact the country's foreign currency indebtedness on June 30, 1954 (capital only) amounted to \$381 million, of which about \$70 million was payable in less than one year. The United States Government made grants totaling \$186 million during the three years ended June 1954. The Israeli 1954-55 foreign currency budget of \$346 million included a further United States grant of \$74 million, German reparations of \$60 million and only \$78 million from exports.

The role of agriculture in Israel, both its development and contribution to date and its potentialities, is deserving of consideration, especially as land constitutes the principal natural resource and the large imports of agricultural products are a major factor in the balance of trade deficit, which is a major, if not critical, problem.

From the beginning of the organized return of the Jewish people to their ancient homeland, settlement on the land has been considered of primary importance. As a state, Israel's principal agricultural aims are: (1) agricultural settlement and cultivation of as much land as possible in all parts of the country; and (2) achievement of the highest practicable agricultural self-sufficiency. Measures taken to achieve these ends spread over many fields including irrigation, mechanization, acquisition of seeds, construction of fertilizer plants, and training of new immigrants in agricultural methods best adapted to the natural and economic conditions of the country.

Land resources in Israel are limited. With scarcely 8,000 square miles (about 5.1 million acres), the country is about the size and shape of New Jersey. About 60 percent of the total area lies in the Negev desert. Some 1.3 million acres, or one-fourth of the total area, are classified as cultivable with irrigation and land reclamation; however, expansion of the area under cultivation from the approximate 900,000 acres as of 1953-54 to the potential level would result in a reduction of available pastureland to less than 500,000 acres.

The area now included in the State of Israel has been involved in major transformation during the past seven years, in which a predominantly Arab population has been replaced by Jewish immigrants. The settlement and integration into the economy of these immigrants has been made difficult by several factors. The privilege of unrestricted entry brought 669,000 persons between May 15, 1948, when independence was proclaimed, and September 30, 1951--a disproportionate number of whom were very young, aged, or otherwise incapacitated. They came from many parts of the world with diverse skills, backgrounds and dietary habits; but, common to most was a general lack of experience in agriculture or construction, which were the greatest needs of the new state. Too frequently they felt entitled to or expected a better way of life than that experienced formerly. This was less of a problem perhaps for those leaving a rather primitive past in Asia and the Middle East, than for the majority who had a European background, generally urban. In addition there was fighting between Israel and the Arabs, and, while a truce was reached in December 1948, the rise of Zionism and creation of Israel directed a flood of resentment toward the Jews who are still subject to an economic boycott on the part of the Arabs.

An unbalanced occupational structure is one result of the above. A majority of the gainfully employed are engaged in providing services, and about three-fourths of the population is urban, although the principal physical potential is agriculture.

Agricultural Production

Many data are published on the progress of agricultural production in Israel, but they show output in relation to 1948-49 or to production in Jewish farming on a prewar base. What is not shown is production per person, total output in comparison with that prior to 1948, or input-output relationships. Admittedly agricultural production during the 1953-54 agricultural year was at a level of about 225 on a 1948-49 base. During that period grain production rose from 53,000 metric tons to about 180,000 tons. It is equally valid, however, to say that despite spending \$300-\$400 million on agricultural expansion and mechanization, doubling of land under cultivation and continued rationing, the country still has to import over half of its food requirements. Likewise, while the cultivated area is double that of 1948-49, the total amounts to little more than half an acre per person--significantly less than prior to 1948.

The following table shows a breakdown of the area under cultivation by type of crop or utilization:

Table 1. Israel: Total Cultivated Area, 1948-49 to 1953-54

	: 1948-	: 1949-	: 1950-	: 1951-	: 1952-	: 1953-
	: 1949	: 1950	: 1951	: 1952	: 1953	: 1954
	:	:	:	:	:	:
	:	--- 1000 acres ---				
Field crops,	:	:	:	:	:	:
unirrigated	: 263	: 439	: 522	: 568	: 605	: 605
New Negev area	: -	: -	: 108	: 74	: 25	: -
Fodder and other crops,	:	:	:	:	:	:
irrigated	: 16	: 20	: 29	: 31	: 41	: 64
Vegetables, including	:	:	:	:	:	:
potatoes and peanuts	: 17	: 33	: 39	: 49	: 60	: 74
Fruits	: 88	: 93	: 97	: 101	: 107	: 117
Miscellaneous, including	:	:	:	:	:	:
fish ponds	: 23	: 29	: 33	: 35	: 39	: 41
Total	: 408	: 613	: 828	: 859	: 877	: 902
Total irrigated	: 72	: 86	: 109	: 126	: 148	: 186

Note: Preciseness of data is reflection of conversion from dunams.

The acquisition of land and the settlement of the largest possible number of persons were the basic objectives of Jewish colonization in Mandated Palestine. Food production in the sense of provision of requirements was of secondary importance, as they could be readily and cheaply purchased. Jewish agriculture tended to concentrate on livestock, fruit and vegetables, and to rely on the Arabs for feed and grain requirements. The colonists' contribution to total availabilities was about 15 percent of the calories, a third of the animal proteins, 75 percent of the fresh fruit and vegetables, and most of the milk. When the State of Israel emerged and most Arabs emigrated, in 1948, the new State was faced with the task of growing its own grain crops or developing alternative sources of supply due to the embargo imposed by Arab countries. Efforts to expand domestic production were hindered by the limited cultivable area and the fact that established Jewish farming was ill adapted to extensive one-crop farming.

Encouragement of grain production resulted in substantial increases in the output of coarse grains, but whereas the country grows the majority of its feed grain requirements, domestic wheat provides only ten percent of the breadgrain needs. With about two and one-half times as much land planted to barley as to wheat, it has been suggested that much of the barley area could and should be switched to wheat. To date this has been rejected, largely on the argument that it would lower livestock feed production and eventually poultry and egg supplies.

The following tables show the acreage and production of the principal crops of Israel during the past six years.

Table 2. Israel: Acreage of principal crops, 1948-49 to 1953-54

Commodity	1948-49	1949-50	1950-51	1951-52	1952-53	1953-54
--- 1000 acres ---						
Grains						
Wheat	75	91	101	81	86	77
Barley	38	123	151	199	204	193
Other	32	50	35	49	61	
Total	145	263	287	329	351	270
Peanuts	<u>1/</u>	1	2	2	5	
Tobacco		7	11	13	9	
Potatoes		6	6	7	9	
Other						
vegetables		27	31	40	46	
Citrus			33	33	34	41
Grapes			17	19	23	24
Bananas			2	2	2	3
Olives			34	34	34	34
Other						
fruit			11	12	13	15
<u>1/</u> Less than 500 acres						

Table 3. Israel: Production of principal crops, 1948-49 to 1953-54

Commodity	1948-49	1949-50	1950-51	1951-52	1952-53	1953-54
--- 1000 metric tons ---						
Grains						
Wheat	21	27	14	31	30	35
Barley	20	37	28	93	64	90
Other	11	21	5	16	27	55
Total	53	85	46	140	120	180
Peanuts		1	3	3	8	16
Tobacco	1	1	2	3	2	3
Potatoes	26	35	37	46	55	80
Other						
vegetables	80	126	142	178	203	220
Citrus		270	311	350	352	488
Grapes	18	17	13	20	22	26
Bananas	4	2	6	8	11	14
Olives	11	4	3	14	14	15
Other fruit	7	11	9	13	11	12

These data readily indicate the big increase in production, but again something is not shown, namely, the extent of restoration of agricultural production that was required after the virtual elimination of Arab farming. The country is self-sufficient in fruits and vegetables and grows most of its feed, but domestic production of livestock products is short of requirements, providing only about 85 quarts of milk, 20 dozen eggs, and 10 pounds of beef and poultry combined per person annually.

Less than half of the 2,738 daily caloric intake planned by Israel for 1954-55 will be obtained from domestic production. The large deficiency in calories is due to the small proportion of wheat requirements grown and the fact that wheat supplies about half the calories in the ration. There is also a great shortage of indigenous fats and no production of sugar. These three staples--wheat including flour, sugar, and refined vegetable oils--made up 1,840 calories or two-thirds of the daily supply during 1952-53, the latest period for which official food balance data are available in detail. Basic food balance data by commodity group are shown below.

Table 4. Israel: Food Consumption by Commodity Group,
Average per Person, 1952-53

Commodity	Per Person		
	Calories	Protein	Pounds
	daily	daily	Annually
	Number	Grams	Number
Cereals and			
cereal products	1,450	48.2	332.9
Pulses, dry	46	2.9	10.6
Potatoes and			
starches	66	1.4	69.0
Vegetables	69	3.2	259.7
Fruits	102	1.6	260.8
Oilseeds	31	1.4	5.5
Fats and oils	352	.1	35.3
Sugar and honey	223	-	46.5
Meat	48	3.8	22.7
Fish	27	4.5	30.4
Eggs	47	3.6	26.5
Milk	139	7.6	179.2
Milk products,			
product basis	70	6.6	36.2
Miscellaneous	68	.1	17.0
Total	2,738	25.1	

In the mandatory period Jewish farming was characterized by the limited area per farmer. With limited land available extensive capital was used to assure an adequate living for the farmers. So long as the Jewish population was small and complementary farm products readily available, their specialized type of farming presented no great problem, but with the elimination of the Arab economy, a strain occurred upon foreign exchange resources which still continues.

The country's balance of payments position requires import controls, and licenses are not granted for non-essentials. Foreign exchange needs for the fiscal year ended March 1955 were budgeted at \$346 million, of which \$306 represented import allotments and \$40 million debt payments and reserves. Import allotments of \$177 million for goods and services for current consumption were about 4 percent below the previous budget; imports of raw materials and semi-manufactures for processing and subsequent export were budgeted a third higher at \$41 million, investments were scheduled 30 percent higher at \$88 million.

The Israel budget for fiscal 1955 allocated \$48 million for imports of food and over \$10 million for agricultural production goods, such as oilcake and meal, fertilizer, seeds, and insecticides. One measure of the magnitude of these agricultural imports is to compare them with total exports, which amounted to only \$56 million and \$84 million during calendar years 1953 and 1954, respectively.

United States exports to Israel during 1954 amounted to \$72 million compared with \$76 million a year earlier. Our goods constituted 27.4 percent of Israel's total 1954 imports; second and third suppliers were the German Federal Republic with 18.0 percent and the United Kingdom with 9.5 percent. It should be noted though that the United States had a 9 percent smaller share of total imports than during 1952, whereas the European proportion was 13 percent greater, because of German reparations and increased imports from the United Kingdom. Turkey supplied, in terms of current values, about five times as many goods in 1953 as in 1952 due to larger Israeli purchases of soft wheat, and, despite a wheat shortage, almost as much in 1954 as in 1953 through greater use of their bilateral agreement. It will be noted that Israel's pattern of trade differs greatly from that of former Palestine. Palestine was a predominately British market. Israel became a predominately United States market when the British financial situation precluded substantial credits and the United States became a primary source of foreign exchange.

There are no apparent reasons, barring a lifting of the Arab boycott, for a significant change in the present pattern of Israeli foreign trade unless her exports are increased substantially. Presumably, for several years at least, trade will be oriented to Europe with bilateral clearing agreements, conducted with West Germany through reparations financing, with the United Kingdom through citrus exports, and with the United States through sales of diamonds and aid from the government and friends.

A marked increase in exports has been achieved despite the fact that logical neighboring markets continue to be closed to Israeli goods. The country's exports formerly consisted mostly of citrus and potash, but manufactured commodities have increased until they now represent more than half of the total sales abroad. Exports of manufactures are contingent upon imports, which require foreign exchange equivalent to about 60 percent of the export value of the finished goods; export sales of manufactures have increased most to those countries which, like herself, experience difficulty in balancing their foreign exchange income and expenditures, such as Turkey. The recent expansion of trade with the USSR amounts to an exchange of Russian oil for Israeli citrus and bananas. The principal agricultural imports of the past three years and the percentage originating in the United States are indicated below:

Table 5. Israeli Imports of Specified Agricultural Products
1952-1954

Commodity	Quantity Imported					
	Total			From U. S.		
	1952	1953	1954	1952	1953	1954
	--- metric tons ---			--- Percent ---		
Wheat	223,622	327,014	327,896	77	51	24
Wheat flour	48,650	20,419	-	69	99	-
Barley	9,872	48,442	10,311	-	-	-
Grain sorghum	19,077	1,580	19,431	100	-	87
Cotton	3,239	3,253	4,745	73	73	69
Copra	21,995	14,050	3,325	22	-	-
Oilseeds, edible ^{1/}	18,638	18,525	26,598	99	99	91
Soybean oil	4,580	1,815	17	100	100	-
Fishcake and meal	7,150	7,182	6,272	-	-	-
Oilcake and meal	14,556	16,209	22,235	13	-	-
Meat, chilled	-	-	-	-	-	-
& frozen	7,575	6,773	4,129	22	-	-
Fish, frozen	12,367	11,004	8,697	-	-	-
Dry milk solids,	-	-	-	-	-	-
whole	1,144	1,459	623	65	70	2/
Non-fat dry	-	-	-	-	-	-
milk solids	7,672	10,720	12,866	94	98	2/
Hides, cattle,	-	-	-	-	-	-
camel & horse	974	2,346	3,848	15	53	59
Sugar	32,502	55,356	45,400	2	-	-

^{1/} Excludes castor seed, cottonseed, palm, sesame and sunflower because source not known. Combined imports of these during 1954 totaled 8,860 metric tons.

^{2/} Information not yet available.

The relative values of these various commodities which must be imported are indicated in the Israeli foreign exchange budget summarized below:

Estimates of import licenses and payments in foreign
exchange for food and materials for agricultural
production, fiscal year 1954-55

<u>Commodity</u>	<u>1000 dollars</u>
Wheat	16,400
Other grain for food	3,600
Soybeans	3,900
Other oilseeds	2,730
Tobacco	420
Sugar	4,240
Meat, frozen	3,000
Fish	3,730
Dairy products	2,180
Beverages	3,015
Other food items and reserve	4,785
Feed: oilcake, meal, bran, etc.	5,000
Seeds	900
Nitrogen fertilizer	2,475
Other fertilizer & materials	675
Insecticides	650
Other	550
Total	58,250

Despite the rapidly increasing population, the supply situation in Israel has changed substantially since 1952; and, as production of some crops began to meet internal demand and create local surpluses, new problems began to emerge. The Israeli government maintains that there must be further expansion in agriculture but that it should not be in the direction of additional small scale, intensive, high-cost farming which characterized pre-1948 colonization and much subsequent planning. Recent marketing difficulties with vegetable crops and possibly soft fruits, contributed to the emphasis in agricultural planning being shifted to more efficient use of agricultural resources and quality production.

The year 1955 will see a continued high rate of expansion of agricultural output, assuming favorable weather conditions, but there probably will be more crop diversification and increased acreage planted to wheat and cotton. Prior technical improvement and investment, particularly capital investment in irrigation, also will make itself felt.

Despite favorable overall development, however, there remain weak spots in the agricultural economy, particularly the high cost of production and the pattern or type of agricultural settlement.

Many factors contribute to the high costs including the type of soil and climate, the large investment in developing settlements, and the protected market enjoyed by domestic producers because crops of nearby countries do not compete due to the boycott and supplies from more distant countries are limited by lack of exchange.

Various forms of agricultural settlements were developed to meet the special conditions attendant to the Jewish emigration to Palestine. Most settlers were without financial resources and without experience or training in agriculture. These deficiencies led to collective and cooperative farm settlements.

Most of the cultivated land belongs to the Jewish National Fund, established in 1901 and supported by World Jewry. Land acquired by the JNF is the inalienable property of the state. Land is leased, to those willing to cultivate it, for a period of 19 years with the right to renew the lease and inherit the land. Loans necessary for the initial establishment of the farm are available from another agency.

The present types of agricultural settlement in Israel are a legacy of prewar Zionism, when "getting back to the land" was a matter of ideology rather than economics. Cooperative buying, selling, and bargaining were sources of strength demanded by conditions as well as conviction. Consequently collective farms and cooperative settlements became the accepted social order during the Mandate period when Zionist activity was looked upon as an aggressive act by the Arab residents, and by the Jews as almost a military operation. The seven types of rural settlement presently found in the country, range from collectives with communally provided social and domestic services and childrens' quarters (Kibbutzim) to rural villages with private landownership and private enterprise (Mashavot). Prior to 1948, funds were readily available to drain swamps, to irrigate arid areas, to develop rocky land, and to buy machinery. Idealists planned with little regard to costs, and established new settlements as the useful thing.

Planning by idealists adhering to social philosophies tended to be perpetuated in the new State. But the problems of the state differ from those of the pre-state; and, such a system may be a major weakness to an independent state, where money becomes an object, or should, and things must be made to pay their own way.

Two trends of thought understandably developed, one tending to adhere to the wish to develop agriculture in accordance with the national and social ideals of the country and the Zionist movement and the other concerned with using agriculture as an instrument to improve the country's precarious foreign currency position. Neither approach has been adopted to the exclusion of the other. However, economic considerations are being evidenced; for example, some villages reportedly prefer to dry farm rather than to pay the rates charged for water where it has been provided at too great an expense.

Israel's search for a solution to her economic problems also has been demonstrated by changes in official policy on such basic questions as immigration, exchange rate, and subsidies.

The inherent right of every Jew to Israeli citizenship and residence, irrespective of age, health, location, or status, is still officially proclaimed, although the policy of unrestricted immigration was modified in late 1951 by the application of age and health standards in the selection of those for whom free transportation to Israel was provided. The significance of this change in policy can be readily surmised from immigration data, which show a decline in the average annual number of immigrants from 194,000 during 1949-51 to about 17,000 during 1952-54. It is anticipated, however, that the rate of entry will be higher for 1955 and 1956 because 82,000 North Africans admittedly await entry.

The internal and external values of the Israeli pound were brought nearer together during 1954 as the Government moved toward its objective of removing subsidization by means of the exchange rate. Since the system of multiple exchange rates was simplified by the elimination of the special import rate of one Israeli pound to U. S. \$2.00 at the beginning of 1954, the official rate has been one Israeli pound to one U. S. dollar, but the generally effective rate has been IL 1.8 = \$1. The black market rate in February 1955 was 2.23 Israeli pounds to the dollar, the lowest quotation since 1951. There are exceptions to the effective rate, for example, the official rate applies to books, newspapers, and phonograph records. In addition, direct subsidies are granted in several cases, such as meat, where the rate of 1.80 to \$1 applies; but, the policy of normalizing the marketing and retailing of foods by the elimination of controls was accelerated during 1954 and subsidies on a large number of items were removed. In general animal proteins, fats and sugar continue to be rationed, but the sale in the free market of part of the supply of most rationed items is permitted.

Economic Development Program

The elimination of Israel's need of foreign financial assistance during the foreseeable future is extremely doubtful, and it would be contingent certainly upon careful planning of investment and perhaps a lower level of consumption. A higher level of properly directed investment combined with a lower living standard would certainly cut the need.

Increasing productivity is apparently the answer to the basic problem of how to reduce balance-of-payments deficits to manageable levels without cutting consumption to the point that the economy can no longer expand. The current sources and levels of foreign exchange cannot be considered permanent. Sterling balances and the Export-Import Bank loans already have been expended. Unless the country can develop a viable economy during the period of German reparations payments, which are scheduled to continue for 14 years; and United States grants-in-aid, budgeted at approximately \$60 million and \$74 million respectively for 1954, the outlook for economic solvency is indeed poor.

In theory the trade gap, equivalent to \$204 million in 1954, could be narrowed by cutting the standard of living; but, the extent to which that would reduce the balance of payments deficit is limited. National income approximated \$585 million, in terms of current dollars, during 1953. Studies by Israeli economists indicate that only 14 percent of this was available for personal savings, investment, and expenditures for consumer goods in excess of subsistence requirements. Thus the total margin was of the order of \$80 million as compared with a trade gap of over \$200 million, and an estimated gross investment of \$180 million. Moreover, it appears illogical for a country which is trying to become a developed state in the Western sense to eliminate the small margin presently available for private productive investment.

Israel has a Seven-Year-Plan for development during the period 1954-60. Some parts of the overall plan, for example the industry component, may not be officially adopted but the Planning Center has accepted the plans for agriculture, although they are subject to continuing modification.

The basic problem faced by the agricultural planning group was maximization of food production at the least cost and in the shortest time. It involves earning currency through exports and saving currency now being spent for imports.

The Seven-Year Plan for agriculture constitutes a detailed program, but it was intended primarily to fix a target which could and should be reached by 1960, and which, if fulfilled, would permit the maintenance of the accepted diet at the present level of 2,600 calories daily per person. The Planning Center assumes that the present population of 1.7 million will be increased to 2 million by 1960.

Major changes in the present structure of agriculture are indicated because the plan assumes the cultivated land area, presently 900,000 acres, will not increase, but that the irrigated area will be three times as large by 1960, or equivalent to 52% of the cultivated area. The large investment required and the political difficulties in connection with the use of water from the Jordan River are the two main obstacles to the program of expanding the irrigated area.

The program has both immediate and long term implications. The goal is to cut import requirements as much as possible as quickly as possible; but, the plans also involve establishment of water spreading facilities and grasses. Likewise various projects aim at increasing the domestic supply of animal proteins, others concern disease and insect control, seed propagation and most effective use of water.

If the objectives of the plan are realized a serious imbalance in external payments will still exist. Food and feed import requirements have been projected according to the plan at \$22 million for 1960. The major food import would be wheat, local production of which is planned at 43 percent of requirements.

Emphasis is given in planning to increased wheat production, raising cattle and sheep for meat, the development of bananas, citrus and olives, and to such crops as sugar beets, cotton, peanuts, and feed.

Many of the crops to be encouraged are raised most efficiently through large-scale operations. Such specialized farming would, in itself, require changes because emphasis has shifted from the Kibbutz (communal) movement, which is characterized by specialization and mechanization, to cooperative organizations with diversified individually operated farms too small for efficient mechanization. The communal settlements have been unable to attract new immigrants, who instead join the type settlement which allows each farmer to own his own land. Both individual operation of small farms and lack of experience will retard a shift from traditional farming patterns to such crops as grain, cotton, and sugar beets.

Israel's basic problem, the one which limits substantial reductions in food imports, is insufficient water for crops. The country reputedly does not lack water but precipitation is low and the ancient irrigation system is useless. A more extensive system of irrigation is a prerequisite to the attainment of approximate self-sufficiency in food. It is this fact, combined with the lack of adequate sources of exclusively domestic water, which makes the utilization of the water resources of the Jordan Valley a matter of such fundamental importance to Israel.

The delays and difficulties, past and prospective, attendant to a settlement of this question have been widely publicized, but the great differences in proposals justify a brief comment. The total annual flow of the Jordan has been cited recently as about 1.8 billion cubic meters, of which perhaps 77 percent originates in Arab territory. Under a plan prepared in the United States and submitted by Mr. Eric Johnson about 1.3 billion cubic meters of the flow would be utilized to irrigate about 230,000 acres. An alternative plan drawn up by experts from Egypt, Jordan, Lebanon, and Syria suggests the use of a little more water on a slightly smaller total area--1.43 billion cubic meters on approximately 215,000 acres. Although the water to be used and the total area to be irrigated under the two plans are of the same general magnitude, the Arab scheme would deliver 80 percent of the water to Arab countries and 20 percent to Israel, as compared with 67 percent and 33 percent respectively under the other plan.

Alternative schemes have been put forward by Israel. They are more ambitious and introduce an additional factor by including water from the Litani River, which flows entirely within Lebanon. It is claimed that Israeli plans include all water resources which can beneficially be included in a regional scheme. At least one plan estimates available water at 3 billion cubic meters, sufficient to irrigate a million acres compared with about 126,000 acres irrigated in Israel during 1954.

It might be noted that the inclusion of the Litani in the Jordan Basin plan is not a new idea only recently presented by Israel. Instead the report of the United Nations Conciliation Committee for Palestine stated in 1949 that additional utilization of important economic resources could be achieved by diverting unused water from the Litani to the Jordan, where a total drop of 1,800 feet exists between the bend of the river and the Dead Sea level, compared with a 500 foot drop between the bend and the Lebanese coastal plain. The acceptance of one of the plans or a combination of them necessarily will be hindered by the present state of relations between the Arab States and Israel and the major differences between their proposals.

Although Israeli irrigation plans are being revised cautiously as concerns details and fulfillment, all have as their basis the transfer of water from the Jordan Valley in the North into the coastal plain and the Negev in the South. From an engineering viewpoint this is a sound proposal which was outlined in 1944 by Dr. W. C. Lowdermilk in his book, Palestine, Land of Promise, but economically such proposals appear to be visionary and somewhat grandiose.

Projected Development

What will be the status of the country's agriculture in 1960, assuming targets are achieved and the population is 2 million at that time? In order to indicate objectives clearly, the following basic data are given, comparing the plan with the 1953 situation.

Proposed Agricultural Development, 1953-60

	Unit	1953	1960
Population, total	Number	1,629,000	2,000,000
Farms	Number	42,400	83,600
Cultivated area	Acre	885,000	902,000
Irrigated	Acre	148,000	458,000
Unirrigated	Acre	737,000	444,000
Calories provided by domestic production, daily per person	Number	700 ^{1/}	1,850

¹ 1952.

It will be noted that the total cultivated area would be relatively unchanged but that slightly more than half of it will be irrigated. Moreover, Israel estimates that an irrigated quarter acre will provide food requirements for one person, except for supplementary wheat which they propose to purchase with agricultural exports, 90 percent of which consisted of fresh citrus fruit during calendar year 1954.

It will be noted also that in 1960 the country will still have to import one-third of its food, in terms of calories, assuming the present level of consumption, even if the optimistic estimates of the planners are achieved so soon. This means that under the most optimistic assumptions wheat imports must be continued at a level of over 6 million bushels annually. It is quite possible, if not probable, that Israel will find it necessary also to continue importing significant quantities of livestock products, and perhaps sugar and cotton after 1959. It appears highly doubtful that the country can produce the desired quantity of animal proteins, even if the fish catch rises to the equivalent of 24 pounds per person annually as planned. Moreover Israel recognizes that maximization of food production calls for emphasis on food crops.

Among the specific planned aims relative to field crops are the following :

1. Increased production of grains and legumes for food, involving primarily wheat. Substantial wheat areas would be irrigated and corn would be grown under irrigation for use in place of wheat.
2. Domestic sufficiency of feed crops to be achieved by increased acreage and the irrigation of corn and sorghum grain.
3. Self-sufficiency in edible oils is to be attained by increasing the irrigated peanut area to 70,000 acres compared to perhaps about 20,000 acres last year. This crop proved most promising when recently introduced and peanuts rose to second place among agricultural exports. It should be noted, however, that the crop has had a guaranteed market price and that both exports and oil consumption have been subsidized.
4. Domestic production of sugar requirements from 10,000 acres of sugar beets. Although this new crop can be grown successfully if soil moisture is available and proper care given, the above acreage would provide not more than 25 pounds of sugar annually per person according to independent estimates.
5. An increase in vegetable acreage sufficient to provide 120 kilograms (265 pounds) of truck crops and 60 kilograms (132 pounds) of potatoes and sweetpotatoes per person annually. This represents an aggregate increase of about 10 percent for truck crops and nearly 50 percent for potatoes.
6. Self-sufficiency in fibers.

These are indeed optimistic targets when considered collectively, particularly because they are so contingent upon irrigation which involves water rights of other countries, as well as time and heavy capital investment. If availability of water is assumed, the point still holds and can be illustrated by reference to cotton. Plans call for vegetable fiber requirements to be grown on 20,000 acres, with something less than 17,500 acres devoted to cotton. During the 1953-54 crop year Israel consumed 20,000 bales, and with a third shift, mill capacity probably would be 27,000 bales. Yields per acre of 550 pounds for two shifts and 740 pounds for three shifts would be necessary to provide the indicated quantities from 17,500 acres. While such yields are obtained from irrigated land, they are substantially higher than Egypt's, and Israel does not have experience in growing cotton. Moreover, a crop of 27,000 bales would be equivalent only to 6.5 pounds per person. The U. S. per capita consumption rate has ranged from 25 to 34 pounds during the postwar period.

Furthermore the extensive growing of field crops which are most efficiently produced under extensive rather than intensive practices cannot easily take place within the framework of the majority of the present types of farm settlements. Large landholdings until now have been confined mainly to citrus; and to some grain and hay crops grown by the Kibbutz, usually on lands some distance from the settlements.

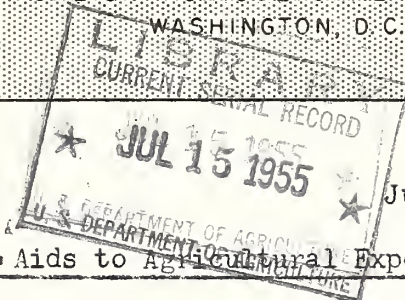
In summary, Israel has made very impressive progress during the past six years, not only in expanding aggregate agricultural production but in developing industry as well. The population has doubled since the registration of November 1948. However, food production per person has risen only 20 percent. Moreover, the country has a very unbalanced economy and an inflation which has not been controlled. Most important, however, is the fact that time is probably "running out." In other words, if a viable economy is to be developed, future opportunities are less promising than those presently existing because grants, reparations and other sources of foreign exchange cannot be expected to continue indefinitely at the present level; and the second generation cannot be expected to have the devotion, energy and enthusiasm of the original settlers who were dedicated to their ideals and the establishment of an independent Jewish nation.

A solution to Israel's economic problems under the relatively favorable current conditions would appear to be very difficult even if its hope for irrigation water is realized. The country not only has the problems common to all under-developed countries, but a few exclusive ones. The most far-reaching is the position of the Arab countries that a state of war exists between them and Israel. If this was resolved so that military expenditures could be cut drastically, commercial relations established with the traditional neighboring Arab markets, and a reasonably adequate water supply could be obtained, the country could probably cope with its dry climate, poor soil, and limited resources so as to attain a viable economy, at a level of consumption above that of its Arab neighbors. If amicable relations with the Arab states cannot be achieved, the economic future of Israel is not very encouraging.



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UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D. C.



FATP 17-55

June 22, 1955

Uruguayan Aids to Agricultural Exports

Uruguay has been active in promoting the export of its agricultural products through various forms of export aids. Largely because of the similarity of climatic conditions, agricultural commodities produced and exported from Uruguay are competitive with those entering the export trade of the United States. Uruguayan exports of grains and fats and oils furnish direct competition with similar exports from this country. Such Uruguayan items as wool and meat products are imported from Uruguay by the United States from time to time to complement our own production and, because of this, furnish competition on the domestic market to United States producers of these products. Export aids employed by Uruguay on these items are, therefore, also of interest to United States producers as well as those applied to our agricultural exports meeting Uruguayan competition in markets abroad.

Export Controls

Foreign trade in Uruguay is under the supervision of the Office of Export and Import Control and foreign exchange transactions are under the supervision of the Banco de la Republica Oriental del Uruguay. Both free and controlled monetary exchange rates operate in Uruguay, but for the purpose of foreign trade, only controlled rates are used. These multiple rates are periodically set by the government in an attempt to: (1) bring Uruguayan commodity prices in line with international market prices (or in some cases to surmount tariff walls in countries importing Uruguayan products by placing the exchange rate sufficiently high to counteract such barriers); and (2) gain revenue from the difference between higher selling and lower buying rates in order to finance government subsidy programs. The rates of exchange for exports vary with the class of goods. When there is difficulty in marketing a commodity, it receives the benefit of a higher rate.

Prepared by the Latin American Analysis Branch of FAS from Embassy Despatches written by Dale E. Farringer, Agricultural Attache, and Louis C. Nolan, Economic Attache, in Montevideo.

Types of Export Aids

Most of Uruguay's agricultural and livestock exports are being promoted through the financial aid of the Government reportedly to make up the difference between domestic costs of production and lower world prices. Export incentives are provided by the Uruguayan Government in the form of (1) guaranteed minimum price to producers, (2) preferential export exchange rates and (3) premiums ("primas") granted to exporters of certain commodities in addition to the established exchange rate. The premiums and the export exchange rates generally are granted through the issuance of an executive decree. They are paid by the Bank of the Republic to the exporter in Uruguayan pesos upon shipment of the exports concerned or as soon thereafter as the financial status of the Exchange Profit Fund (used to pay subsidies and financed from foreign exchange differentials) permits.

Application to Commodities

Wheat: The Government financially aids the export of wheat by guaranteeing wheat growers a minimum price for all the wheat they produce as an incentive to production and then buying all that the producer himself cannot dispose of advantageously otherwise. The Government then disposes of any surplus over and above domestic needs in the world market at the best price it will bring. This policy has been in effect for several years. To illustrate, the Bank of the Republic buys wheat from the producer at the base price of 165.00 pesos per metric ton $1\frac{1}{2}$. This wheat in turn is sold by the bank to the miller at 174.30 pesos, but at the same time the Government pays the miller a 6.30 peso subsidy in order that the miller and the retail taker can sell flour and bread at low prices. With respect to exports, a similar subsidy arrangement applies. The Bank of the Republic holds title to wheat worth 174.30 pesos a ton, but sells it to the exporter for considerably less - at prices in line with export offers. Thus in the case of a recent shipment of wheat to the United Kingdom at \$60.50 a ton (91.90 pesos figured at the basic rate of 1.519 pesos to the dollar) the Government "lost" 82.40 pesos a ton.

Until recently wheat subsidies have been paid from the Exchange Profit Fund derived mainly from the exports of greasy wool. But with so many obligations charged to this fund, new revenue sources have been and are being sought. In December the government raised the import exchange rate for certain second and third category goods from 2.45 to as high as 3.50 pesos per dollar. Since the wheat and flour exports continue at the 1.519 rate, the gap between this export rate and the higher import rate is widened with "earnings" earmarked to offset financial losses of the wheat crop.

1/ 1 metric tons equals 36.743 bushels of wheat.

Rice: In order to sell rice abroad, the government raised the exchange rate from 1.90 pesos to the dollar, or its equivalent in other currencies, to 2.35 pesos plus an "additional subsidy" of 52.50 pesos a ton. This preferential treatment applied to the 14,900 tons of milled rice shipped from July through November 1954. By Executive decree on April 27, 1955 the Uruguayan government authorized the export of up to 20,000 metric tons of milled rice at the exchange rate of 2.35 pesos to the dollar, or its equivalent in other currencies. The decree also provided for establishing an additional export subsidy. On shipments early this year .75 pesos per dollar were decreed, which in effect raised the exchange rate to 3.10 pesos per dollar.

Linseed Oil: To promote linseed oil sales during 1954, the export exchange rates on linseed oil were 2.10 pesos per dollar between January 1 and February 23, and 2.35 pesos plus a "compensatory premium" of 3.50 pesos per 100 kilograms (220.46 pounds) from July 21 through December 31. Thereafter the rate applied was 2.35 pesos without compensatory premium. The rate of 2.35 pesos to the dollar was also in effect from January 1 to April 12, 1955.

Wool: In February 1955 the Uruguayan government decreed a higher export exchange rate on wool tops, broken tops and by-products of wool top processing in order to promote exports. The decreed rate of 2.0259 pesos to the dollar or equivalent in other currencies results from the following combination: 61 percent at 2.35 pesos and 39 percent at 1.519. The previous rate on these exports was 1.967 or the combination of 54 percent of 2.35 and 46 percent of 1.519. Also according to a Bank Resolution of October 19, 1954 and with no expiration date, the following retention rights are enjoyed by the exporters of wool: (1) exporters of greasy and washed wool can withhold 5 percent of their export proceeds on account of expenses and commissions, for shipments in free dollars; and 2½ percent for shipments in non-convertible currencies on account of expenses, commissions, and differences in yields, weight, fineness, quality etc.; (2) exporters of wool tops and broken tops are authorized to withhold 2½ percent for shipments in non-convertible currencies; and (3) exporters of wool noils and other by-products and slipes of washed wool are authorized to retain 2 percent for shipments in free dollars and 2½ percent for shipments in non-convertible currencies provided these rates do not apply to shipments made by packing houses.

During April 1955, the special Congressional Wool Commission in Uruguay announced three new suggested solutions to the wool marketing problem. The first would allow wool exporters to retain 20 percent of the value of the shipment to convert at the higher free market exchange rate (now around 3.15 pesos to the dollar against the controlled rate of 1.519 pesos on greasy and washed wool exports) on exports through July 31, 1955. The second suggestion calls for 10 percent retention for an indefinite period and the third would lift most export duties and taxes on greasy and washed wool through July 31, 1955. Any of these three

solutions would result in higher prices to the grower, ranging roughly from 2.00 to 4.00 pesos per 10 kilograms (22.046 pounds), and thereby attract more wool into marketing channels. By the middle of May none of these suggestions had been implemented.

Meat: In early February of 1955, the Government of Uruguay decreed its export policy with respect to frozen and canned beef for 1955 setting the target export tonnages at 20,000 tons of frozen beef and roughly 10,000 tons (400,000 cases) of canned meat. Since international prices are far below production costs, the government will subsidize these shipments. The cost-price formula, worked out by Frigorifico Nacional and accepted by the Government authorities as a base for making subsidy payments, is calculated as follows:

<u>Frozen Beef</u>	<u>Pesos per metric ton</u>
Production cost	1,118
Export sales price (500 dollars)	<u>760 1/2</u>
Subsidy	358
<u>Canned (Corned) Beef</u>	<u>Pesos per case (48/12's)</u>
Production cost	55.80
Export sales price (13 dollars)	<u>19.71 1/2</u>
Subsidy	36.05

1/ Computed at the basic exchange rate of 1.519 pesos to the dollar. The prevailing exchange rate for canned meat, however, is 2.20 pesos to the dollar which would raise the export sales price of canned meat from 19.75 pesos to 29.60.

Other Commodities: Exports of tanned cattle hides and sheep skins (and certain leather footwear) were encouraged by the government during 1954 by the granting of an export rate of 2.35 pesos to the dollar, plus an 0.25 pesos premium on a \$3 million quota of exports when negotiated in dollars of free availability. Exports of linseed cake and expellers were facilitated by maintaining the exchange rate of 1.78 pesos per dollar. Some other instances of Government encouragement to exports were also evidenced.

Trade in Above Commodities

The importance of Uruguay as a competitor in the world market for the agricultural items discussed as receiving export aid is shown by the value of these exports in terms of dollars:

Uruguay's Exports, 1954

		Value (Thousands of dollars)
Wheat and flour		29,693
Rice, milled		5,040
Linseed oil		5,306
Wool		
Greasy	74,672	
Washed and semi-washed	17,928	
Wool tops	31,913	
Other	1,735	
		126,248
Meat		
Frozen	24,730	
Canned	16,930	
		41,660
Hides & skins and Bristles		18,542
Linseed cake		4,636
Total of these items		<u>231,125</u>

An interesting development in 1954 concerned the sharp increase in Uruguay's wheat and/or wheat flour exports. In 1953, no wheat was exported and exports of flour were valued at \$7.9 million of which amount Brazil took \$4.8 million. During 1954, however, Uruguay's exports of wheat and flour combined climbed to a total value of \$29.7 million and represented 12 percent of the country's total exports. Brazil took over 80 percent of the wheat and flour exported last year.

Exports to United States: During the year 1954, Uruguayan exports of wool (including \$5.4 million in wool tops) to the United States were valued at \$22.6 million and constituted 70 percent of all exports to the United States. Wool exports were 45 percent less than in the preceding year when they were valued at \$40.8 million and represented 82 percent of all Uruguay's exports to the United States. In 1953 the United States took virtually a fourth of Uruguay's wool exports, in 1954 only 18 percent. A countervailing duty of 18 percent on Uruguayan wool tops was imposed by the U.S. Secretary of the Treasury, on May 6, 1953 and reduced to 8 percent as of March 5, 1954. With its imposition, exports of wool to the United States declined. In 1954, wool top exports to the United States were valued at only \$118,000 compared to \$5.4 million in the preceding year.

Uruguayan exports of meat and meat products to the United States in terms of aggregate value showed some increase in 1954 above those of 1953. Exports in 1953 were valued at \$7.6 million and at \$8.2 million in 1954. During 1954 meat and meat products represented one-fourth of the total Uruguayan exports to the United States and ranked as the second most important export item.



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June 28, 1955

U. S. DEPARTMENT OF AGRICULTURE
Programs for Stimulating Farm Exports from Denmark

Denmark is an important competitor of American livestock producers. It is one of the world's largest exporters of butter, bacon and eggs, and is also an important supplier of beef (cattle), canned meats, cheese and milk products. Other products less competitive with American agriculture, such as sugar, potatoes, and certain field crop specialties are also exported. It is the only European country which is always a substantial net exporter of food products in terms of calories as well as value.

Generally speaking, Danish agricultural exports enjoy little direct government aid. There are, nevertheless, certain policies and programs which benefit these export products. Some are general export programs, applicable to agricultural and non-agricultural products alike, and a few pertain to specific agricultural products.

General Export Promotion Programs

"Dollar Premium" Plan

As a measure to encourage exports of Danish goods to the dollar area, the Government in August 1952 introduced the "Dollar Premium" plan. Under this measure, the Danish exporters earn dollar premium certificates equivalent to 10 percent of the value of the goods shipped to the dollar area. The dollar premium certificates are negotiable, and at present sell at 80 percent of par. Thus the exporters earn an additional net return of eight percent by exporting to the dollar area; or, conversely, depending on the market conditions, exporters can, without loss, sell Danish goods at a discount from going or established prices to the extent of the premium. The certificates can be purchased through any commercial bank.

From a report from the Office of the Agricultural Attaché, Copenhagen, Denmark. Prepared for publication by the European Analysis Branch, Foreign Agricultural Service.

The dollar premium certificates cannot be used to purchase goods and services from the area in which they are earned; but the certificates can be used to purchase commodities which are on controlled lists, and which normally require special import licenses, from the countries of the European Payments Union. The latter inducement is fairly attractive and gives rise to the prevailing demand for the certificates.

Export Credit Fund

The Government through legislation over a period of years has created an export credit fund of 500 million kroner (72.5 million dollars) available to exporters in financing transactions entered into with foreign buyers. These government guarantees take various forms, and the coverage for possible losses in connection with the guarantees extended is provided through a low premium or small cost fixed on the merits of each individual case.

The experience in the operation of this fund has been excellent and, over the years, a reserve of eight million kroner (1.2 million dollars) has been built up. It is estimated that only about 10 to 20 percent of the loans or guarantees granted through this means cover the exportation of agricultural commodities; most activity under the fund is confined to export promotion of industrial goods.

Bilateral Trade Agreements

Bilateral trade agreements with various importing countries give Danish farmers and exporters assured outlets for a substantial part of the country's exportable surplus. For example, purchase agreements with the United Kingdom are still in effect, though scheduled to be discontinued, which guarantee the purchase of a very substantial part of the exportable supplies of Danish bacon and butter.

Export Trading Scholarships

To encourage the training of individuals in international trade and commerce, the Government appropriates annually a sum of 300,000 kroner (43 thousand dollars) to support the stationing of young Danish trade representatives abroad. The young Danes are chosen by the trade and agricultural marketing organizations and are placed in potential foreign market areas.

Sponsorship of Fairs and Exhibitions

The Danish Government allocates annually 100,000 kroner (7 thousand dollars) for the sponsorship of fairs and exhibitions abroad. Usually, interested trade organizations must provide an equal sum for the purpose intended in order to draw on these funds.

In addition, the Government provides 100,000 kroner (7 thousand dollars) for the printing of advertising material, propaganda media, etc., used in connection with fairs and exhibitions.

Special Assistance to Specific Products

Livestock and Livestock Products

The Danish Federation of Dairy Associations, a cooperative controlling approximately 90 percent of the milk supply, is particularly active in the promotion of the exports of dairy products; and since the abolition of the former government export committees, it has assumed certain quasi-governmental functions. The Federation, through its various Export Committees, receives all applications for export licenses and makes recommendations to the Ministry of Agriculture for approval or disapproval. In this manner the Federation can direct or channel dairy products and promote their sale in the market areas believed most remunerative to the industry in the form and packaging desired.

Moreover, the Federation undertakes market research studies in an effort to promote and expand market outlets in all parts of the world, but these endeavors are sponsored without any direct financial support from the Government.

Sugar

The sugar refining industry in Denmark is a monopoly operating upon a government concession. Efforts are made to maintain sugar production at levels sufficient to cover domestic consumption requirements. However, in certain periods, particularly after a good harvest, Denmark finds itself with an exportable surplus on hand. Inasmuch as costs of production of sugar in the country are relatively high, and in order to move these export availabilities into foreign markets, the country under certain circumstances subsidizes sugar exports.

The wholesale price of sugar is fixed by the Ministry of Commerce which takes into consideration the farm cost of producing the beets and refining costs. The retail price of sugar is unregulated, although all domestic handlers of sugar are forced to buy from the Danish sugar factories at a wholesale price stipulated by the Ministry of Commerce. Candy manufacturers may buy their sugar from the Danish sugar factories at a price making it possible for them to compete in the export market and in the domestic market with imported candy products. The difference between the established wholesale price and the price paid by the candy manufacturers is made up from the receipts of the so-called sugar pool or from the state treasury.

Export prices are determined by the supply and demand situation in the world market. If the revenue from refined sugar exports exceeds the cost of production, this "surplus" goes into the sugar pool. If prices in foreign markets are below cost of production, the difference is made up from the reserve in the sugar pool or by the State. Immediately following the war, Denmark was able to build up substantial financial reserves through its pooling operations. In recent years, as world sugar prices declined, Denmark has been forced to draw heavily against these reserves.

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June 28, 1955

U. S. DEPARTMENT OF AGRICULTURE
IRAN'S AGRICULTURAL ECONOMY^{1/}

Introduction

Iran occupies a strategic location between the East and the West and separates the U.S.S.R. on the north from the Persian Gulf on the south. Iran has less than 20 million persons on a land area of 400 million acres, approximately one-fifth the size of the United States. The country is underdeveloped.

Iran is an historic land which has been crossed and recrossed by conquerors in their East-West travels. Throughout the 19th century the British Government considered any Russian threat to the areas a threat to India. The interests of the two powers in the area or, more specifically, British and Russian rivalry for increased economic and political influence there, persisted and contributed to political instability. Since the balance of power shifted attendant to World War II, the United States has evidenced a greater interest in the area. Despite instability and a three year shutdown of the oil industry, Iran continues, as during the 19th century, to separate the U.S.S.R. from the warm water ports of the Persian Gulf, largely because of the support received from the United States and the United Kingdom. Although Iran's significance to the United States is commonly considered to be strategic as a result of location, the country could become a competitor of United States agriculture.

Iran is predominately an agricultural country but the agricultural economy is of a subsistence type. Farming methods are primitive; 80 percent of the population is dependent directly upon crop or livestock production, which is utilized almost exclusively within Iran.

The absence of modern techniques explains the continuing concentration upon primary products, mostly food and fiber except for oil and its products. The country's foreign trade is typical of commerce between little developed agrarian nations and highly industrialized countries. Exports are necessarily primary products, while imports consist mostly of finished goods. It might be noted that the economies of neighboring countries, except for India and the U.S.S.R., complement that of Iran to a very small extent.

Iran is a country of large potentialities, but it needs help to develop its resources, and particularly help in acquiring agricultural "know how" with which to raise the level of living above the point of poverty, which presently characterizes the masses in the cities as well as in rural villages.

^{1/} Prepared by George L. Robbins, Regional Economist, Asia and Middle East Analysis Branch.

General observations

Iran is comparable in some respects to the southwestern part of the United States. In size it is slightly smaller than the combined areas of Texas, Oklahoma, New Mexico, Arizona, and Nevada. The climate and terrain of the two areas are similar, with Iran in general the more arid and tropical. The population of the two areas does not differ greatly--approximately 13 million people live in the five American states, while Iran's population is variously estimated from 15 million to 20 million. Both areas have large reserves of crude petroleum. Each area produces grain, cotton, fruit, vegetables, and livestock and products.

Only three percent of Iran is cultivated in any given year, whereas in the southwestern states cited nine percent of the area was harvested during 1954. The large agricultural areas in Iran are Azerbaijan, in the extreme northwest, and a strip along the Caspian Sea. Smaller arable areas are scattered throughout the country, generally near the foot of mountains where water is available. The population is, of course, concentrated in the productive areas, plus a few urban areas. The isolation of the productive areas from each other and the poor transportation system are generally cited as reasons for high prices and limited exchange of surpluses.

As regards transportation it might be noted that in most countries a two or three-way exchange of goods characterizes or at least provides the basis for the transport system. In Iran, however, the purchasing power of the large majority is so low as to afford little opportunity for diversified consumption. A gross national product equivalent to about \$65 per person (the 1952 estimate) provides small opportunities for household furnishings, for a varied diet, or for any goods other than the barest essentials. With a level of living which calls for few goods from outside the local area, not only are other consumer goods expensive but the movement of farm products from this area of production is understandably very costly.

Brief reference to the structure of Iranian society, i. e., the principal classes, and their functions and characteristics, appears essential. Iran is essentially dichotomous, as a middle class is only emerging. At the top of the social structure is a small elite class which possesses and exercises great power, both economic and political. This literate aristocracy is diversely formed, including the clergy, judiciary, and those of high office in the army, police, court, and civil service. The inner-privileged few of this group, often intermarried, own most of the land. The broad base of the society consists of the productive masses, largely illiterate, whose work largely supports the upper class. While the society is not formed into rigid caste levels, farmers and their urban counterparts find few opportunities to advance up the economic ladder.

The land tenure system may, with some justification, be termed feudalistic. Holdings of relatively large landowners when combined with those of the state and endowments represent probably 70 percent of the land. In general these lands are worked on a share cropping basis, and the land owner is usually an absentee. Frequently the land is leased to a third party who deals directly with the farmer. The Public Domain is usually rented by being put up for bids. The villages also belong to the landowner.

Livestock belong to the individual farmer as a rule. A team of cows, or oxen, or a donkey with a plow is the minimum capital a farmer should have before he looks for a holding in a landlord village. The farmer's work stock and tools form the base of such security as he enjoys.

In calculating the division of the crops, five basic values are taken into consideration, viz., land, water, seed, labor, and power. Each factor furnished by the landlord secures him one-fifth of the crop. Payment of rent in kind is the general, although far from universal, practice. As the landlord frequently owns the water rights and provides the seed, many farmers receive only 40 percent of their crops; in addition, the farmer's shortage of capital frequently necessitates the advance sale of the crop at low prices, or borrowing at a confiscatory rate of interest. In practice the landlord usually advances money to the farmer during the year so that after the harvest little or nothing may be due the farmer. Of course, some landlords, who have their problems too, go farther in the matter of housing and irrigation or other considerations than is required by law or custom.

In October 1952 decrees under the Free Powers Act reduced the landlord's share of the crop by 20%, half of which was to go to the farmer and the other half to development funds, and abolished the levy of additional dues on the farms by the landlord. Subsequent to the fall of the Mossadeq government, decrees issued under the Free Power Act were made non-operative unless approved by the new government. To date the cut in the landlord's share has not been approved.

Agricultural production

Of the approximately 400 million acre area in Iran about 10 percent is classed as cropland. It is estimated that only a quarter of this cropland is in actual cultivation in a given year, the remainder being fallow. A further 20 percent of the total area is estimated to be potentially cultivable. Of perhaps 11 million acres in cultivation in any given year it has been estimated that about one-third to two-fifths is irrigated.

The above estimates, as well as other data relative to Iranian agriculture, are necessarily approximations because of the lack of a complete land use study or census of agriculture which would afford reliable or accurate information. The following land utilization data for Iran (1952) have been published by the Food and Agricultural Organization of the United Nations:

Arable land	41,400,000 acres
Permanent meadows and pastures	24,700,000 "
Forests and woodlands	46,950,000 "
Unused but potentially productive	81,550,000 "
Desert, built-on area, and other	209,650,000 "
Total land area	404,250,000 acres.

It is generally agreed that farm production in the country could be expanded substantially. Detailed or extensive soil studies have not been made but observers report a generally fertile soil. An ultimate limiting factor to development is the availability of water for irrigation.

The present agricultural economy emphasized winter crops, which are often less profitable from the point of view of both cash returns and maintenance of soil fertility. Concentration on winter crops tends to preclude good rotations and the benefits to be derived from mixed farming.

Wheat is the leading farm product, followed in approximate order by barley, rice, dried fruit, dates, cotton, and tobacco. Although cereals occupy about 70 percent of the land planted to crops, the production of breadgrains is barely sufficient to cover domestic requirements, even though rice grown in the north, and dates grown in the south are the staple foods in those areas.

Although admittedly unreliable the following data indicate the relative importance of various crops in terms of area and production:

Table 1. Iran: Acreage of major crops, specified periods.

Commodity	:	1935-39	:	1945-49	:	1952	:	1953	:	1954
	:		:	---1,000 acres---	:		:		:	
Wheat ^{1/}	:	4,191	:	5,672	:	5,560	:	5,683	:	5,683
Barley	:	1,545	:	1,687	:	1,977	:	1,977	:	1,975
Rice	:	534	:	544	:	544	:	618	:	620
Cotton	:	453	:	239	:	450	:	555	:	618
Tobacco	:	32	:	38	:	39	:	67	:	46
Sugar beets	:	35	:	63	:	106	:	109	:	110

^{1/} Wheat figures are those reported by the Agricultural Attache in Iran.

Table 2. Iran: Production of major crops, specified periods.

Commodity	:	Unit	:	1935-39	:	1945-49	:	1952	:	1953	:	1954
Wheat ^{1/}	:		:		:		:		:		:	
	:	1,000 bu.	:	72,128	:	70,791	:	75,000	:	82,500	:	77,000
Barley	:	" "	:	35,728	:	37,157	:	38,600	:	37,700	:	37,850
Rice	:	1,000 bags	:	8,360	:	8,693	:	9,290	:	11,000	:	11,600
	:	of 100 lbs.	:		:		:		:		:	
Cotton	:	1,000 bales	:	171	:	85	:	165	:	230	:	207
Tobacco	:	mil. lbs.	:	35	:	31	:	30	:	41	:	28
Sugar beets	:	1,000 metric	:	131	:	240	:	484	:	556	:	535
	:	tons	:		:		:		:		:	

^{1/} Wheat figures are those reported by the agricultural attache in Iran.

The area under cultivation varies little from one year to the next. Likewise the distribution among crops is quite constant. Roughly 70 to 75 percent of the area cultivated is devoted to grains, and the remainder is about equally divided between other field crops and fruits and nuts. As traditional practice still largely determines the area and variety of crops planted, as well as the methods of culture, weather is a major determinant of year to year variation in production, with insects and diseases a secondary factor.

Livestock are very important in Iran, although in terms of income and contribution to the food supply they do not approach crops. Pasture and forest lands are estimated to occupy nearly 20 percent of the total area, and, no doubt, some grazing is obtained from the 50 percent of the total area which is classed as uncultivable mountain or desert area. To the nomadic or semi-nomadic people, of whom there are substantial numbers in the country, livestock are literally a way of life. In settled as well as in nomadic areas cows, sheep, goats, and buffalo are kept for milk. Animals are generally used for hauling. Cows as well as oxen are used for plowing. Goats and sheep are kept for their hair and wool, while the black-wooled Karakul is kept for lamb skins. The residual use of all is consumption as meat.

Iran's rather limited foreign trade is characterized by exports of primary products and imports of industrial products. Before referring to the composition and trends of Iranian foreign trade, the manner in which trade data are reported by the Iranian Customs Office should be noted. Exports are reported as commercial and non-commercial (FOB) with fisheries and petroleum and petroleum products excluded from the former. Fisheries are a traditional export and petroleum and products represented 36 percent of all exports combined during 1950-51, the last year prior to the shutdown of the industry. Imports, (CIF), likewise are separated into commercial and non-commercial categories, with commodities assigned to oil industry, and with the Iranian Government being excluded from the commercial.

The trends in the physical volume of foreign trade during the past decade are not directly revealed by value data because of a rising internal price structure with its attendant changes in the exchange rate of the rial. When adjustments are made for inflation and fluctuation in the value of the rial, the commercial export trade is shown to have been rather constant during the postwar period at approximately the prewar level. Weight data likewise indicate that postwar commercial exports have averaged about the same as in the prewar period.

Commercial imports show an upward trend during the postwar period, with considerable fluctuation in weight from year to year due to changing composition.

Iran's principal trading partners and their relative importance as concerns commercial trade are as follows:

Table 3. Iranian commercial exports and imports, by country, 1953/54^{1/}

Country of origin or destination	Exports		Imports	
	Value	Percentage of total	Value	Percentage of total
	mil. dol.		mil. dol.	
Germany	17.0	17.7	29.3	16.1
U.S.S.R.	12.2	12.7	10.7	5.9
Japan	11.7	12.1	18.0	9.9
United States	11.0	11.5	34.1	18.8
India	2.2	2.3	13.9	7.7
Pakistan	5.7	5.9	.3	.2
United Kingdom	4.7	4.9	19.3	10.6
Italy	4.4	4.6	6.3	3.4
Middle East	11.0	11.5	2.5	1.4
Other Europe	14.2	14.8	33.8	18.6
Other	2.0	2.0	13.4	7.4
Total	96.0	100.0	181.7	100.0

^{1/} Dollar data are not equivalent to Iranian values because of multiple and varying rates of exchange; they were derived by converting reported values at the principal buying and selling rates as of the end of the Iranian year.

Trade between the United Kingdom and Iran has declined substantially during recent years, and the United States, United Kingdom, Germany, U.S.S.R., India and Pakistan combined accounted for less than 60 percent of Iran's trade during the year ending March 1954. Prewar, these countries represented about 80 percent of the commercial exports and 75 percent of the imports. They, along with Japan, still dominate the market but Italy and some other European countries are becoming increasingly important in the trade of the country, due in part, at least, to barter and bilateral trade and payments agreements. Meanwhile Germany and the United Kingdom are extending more favorable credit terms in an endeavor to improve their trade position, e. g., Massey-Harris of England recently sold Iran \$5.6 million of farm machinery with no payment prior to delivery and only 25 percent then.

U. S. goods represented 25 percent of all Iranian imports during the five years ended March 1954--substantially more than the prewar share. It is noted that the United States share of the market declined during each of the years 1950-51 to 1953-54, but in the latter year we were still the leading supplier with 18.8 percent. Iran obtains virtually no agricultural products from the United States; farm products represented less than \$1.5 million of the \$21.4 million of United States goods exported to Iran during 1953.

The United States imports of Iranian products during 1953 totaled \$22.7 million, of which \$14.2 million were agricultural commodities. Wool constituted 60 percent of the latter; hair, skins and casings combined made up 20 percent; and opium amounted to 7 percent.

The major importance of a few commodities to Iran's total commercial exports, which are estimated to be equivalent to about 2 percent of the country's production, is indicated by the following table:

Table 4. Iran's principal commercial exports, 1953/54

Commodity	Value ^{1/}	Percent of total value
	mil. dol.	
Cotton	22.6	23.5
Carpets	14.8	15.4
Dried fruit	12.2	12.7
Rice	6.6	6.9
Wool	6.2	6.4
Hides, skins	5.3	5.6
Gums	2.6	2.7
Oilseeds	2.6	2.7
Other	23.1	24.1
Total	96.0	100.0

^{1/} Converted from Iranian rials at principal buying rate as of end of Iranian year; since there were multiple rates of exchange which varied, the above dollar values are not equivalent to reported rial values.

Outlook

Development is Iran's primary job. If the country adopts this most logical course for which circumstances are favorable, conditions of poverty which characterize most of the population, could be relieved significantly. Physical and human resources are available and government capital will soon begin to be available from the petroleum industry. Given these factors of production in reasonable quantities, the spirit of the nation will be a major factor determining its economic and social progress during the next decade. There are indications that Iran recognizes the need for such progress.

A start has been made on general development, and, although it is only a start, achievements to date are encouraging. After the war the problem was considered and in 1948 the National Assembly approved a seven-year plan to improve agriculture, education, and transportation; to develop communications, commerce and industry, and to exploit other natural resources. As authorized by legislation during February 1949, the Plan envisaged an expenditure of about \$650 million and was to be financed largely from oil royalties. Political and economic difficulties, particularly the loss of oil revenues, impeded implementation and resulted in suspension of the plan.

A new Iranian Development Plan has been announced, also to be spread over seven years and financed largely by government revenue from oil. It is to be administered by the plan Organization which is reported to have recently released the following data on projected spending:

Agriculture and irrigation	17.3 billion rials
Industry and mines	11.2 " "
Communications	17.3 " "
Other (education, health, etc.)	<u>18.7</u> " "
Total	64.5 billion rials

At the present official buying rate of 75 rials to the dollar, these 64.5 billion rials are equivalent to \$860 million.

The work of the U. S. Foreign Operations Administration during the period 1950 to date, as well as that of various UN agencies such as FAO, WHO, and UNESCO, affords Iran great advantages as it initiates its program. It is justifiably stated that U. S. credits and other economic assistance sustained Iran during the period following the closure of the oil industry. The Foreign Operations Administration has had a very significant role in this aid, not so much because of the \$131 million allocated to the Iranian program through June 1954, but rather because of the groundwork laid by FOA for economic development. Neither agricultural productivity and output, nor commercial exports have increased significantly since the U. S. first Point IV agreement was signed during October 1950, a few months before the nationalization of the oil industry; however, this in no way detracts from the very substantial contributions of the FOA program.

The things which were lacking in Iran five years ago for economic development can scarcely be exaggerated. Among these were such basic things as a stable government with local responsibility, communication and transportation facilities, scientific data on nature and extent of resources, and tools were either non-existent or totally inadequate. Moreover, the level of literacy, so essential to planning, is extremely low.

The agricultural potential of Iran would be difficult to evaluate. A major, if not the ultimate limiting factor is the availability of water--another subject on which there is little basic information. It is noted also that the shortage of agricultural leaders and of qualified and competent technicians has been termed the most critical problem associated with agricultural development in the country.

The opportunities for improvement are such, however, that American experience and knowledge have made contributions during the past few years which promise to raise agricultural production substantially and rather rapidly despite conditions which would appear to impede institutional changes which always require time. The initiation of an extension service could, in itself, be revolutionary. At present perhaps 300 young Iranians who have been trained by Foreign Operations Administration are working in the rural villages.

The substantial and cumulative nature of FOA contributions to agriculture is illustrated by such typical work as the wider distribution of locally tested and superior varieties of wheat; the development of a light plow which turns the soil and is made domestically; the introduction of mules, by breeding, as a replacement for cattle workstock; the spraying of fruits and nuts; and the introduction of silos and the feeding of beet molasses and pulp.

The program for improvement of Iranian agriculture is comprehensive and logical. It stresses that the production of the present cultivated area must be increased by improvements in agricultural methods. Such things as a plow that really turns the ground, better tillage practices, better workstock, better crop varieties, rotations, education, the improvement of soil fertility, and the use of insecticides and pesticides constitute the basic requisites of increased yields.

The benefits to be derived from the use of chemical fertilizer in Iran are not known, particularly as concerns non-irrigated areas. After many centuries of farming the soil without fertilizer or green manures, and with most animal manure being burnt, it might be assumed that substantially higher yields would result from the application of chemical fertilizers; however, the limited testing to date is not conclusive. Phosphates and potash are not available domestically.

It appears that yields and aggregate production could be increased in about the same proportion in Iran during the next decade as they were in Turkey during the past ten years, given similar incentives for increasing crop production. This is not intended to suggest that such will be achieved. It may not be because of the farm tenure system or for various other reasons. However, it appears reasonable as a matter of practical attainability in contrast to achievement of the Iranian potential which would involve reclaiming large desert areas, an expensive and longtime job. It must be emphasized though that the development of the country's agriculture is, at best, a long-term business.

The justification for emphasizing agricultural improvement is rather obvious. Increased output means increased sales by the farmer and increased gross income. It should mean a rising demand for commodities previously unattainable, which in turn will increase the opportunities for non-agricultural employment. At the same time an expanding non-farm labor force could absorb those who might be displaced by increased productivity of farmers.

Agricultural expansion also implies an expansion in transportation and communication facilities. In other words agriculture is the basic component of the national economy. Consequently, improvement in agriculture is basic to a higher level of living.

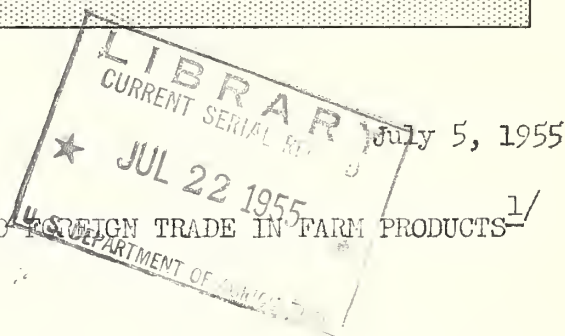


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AGRICULTURAL POLICIES OF TURKEY RELATING TO FOREIGN TRADE IN FARM PRODUCTS^{1/}



General

Except for apparel wools, jute fiber, coffee, tea, relatively small amounts of agricultural seeds, powdered milk, dates, and miscellaneous processed food specialties, Turkey is not normally an importer of agricultural commodities. In years following poor cereal harvests--as in 1949/50 and 1954/55--substantial imports of grain have been made, largely from the United States, to meet the requirements, particularly, of the urban centers, the military and deficit regions.

On the other hand, up to 85-90 percent of the country's foreign exchange earnings over the years, have been derived from the export of unprocessed agricultural commodities. Turkey is a traditional exporter of oriental type tobacco, filberts, dried raisins and figs, opium, live animals, eggs, animal skins, carpet wool, mohair, pulse crops, oilseeds, and many other commodities of lesser importance. During the past five years of agricultural expansion and development, wheat and cotton have become of major importance as export items, ranking alongside tobacco as the "big three" foreign exchange earners, each providing roughly 20 percent of the country's total annual earnings from exports.

The following list of only the principal agricultural commodities exported from Turkey during calendar years 1953 and 1954 is inserted to give a general idea of the scope and scale of what might be considered her usual agricultural marketing:

^{1/} From Despatch No. 640, June 7, prepared by Laurell L. Scranton, Agricultural Attache, American Embassy, Ankara, Turkey. Adaptation by Asia and Middle East Analysis Branch.

Principal Agricultural Commodities Exported
(calendar year, metric tons)

	<u>1954</u>	<u>1953</u>
Wheat	950,025	600,603
Cotton, fiber	60,157	100,625
Tobacco	62,900	70,705
Filberts	30,991	29,163
Barley	50,000	159,869
Mohair	3,320	4,534
Rye	43,816	96,879
Raisins	52,907	32,808
Oilcakes, bran, etc.	107,072	120,616
Live animals (heads)	120,714	122,806
Eggs	2,140	14,417
Figs, dried	21,234	14,104
Opium	205	150
Rice	8,739	13,431
Pulse Crops	14,649	33,359
Peanuts	1,201	581
Canary seed	6,757	2,551
Walnuts	1,355	553
Oil seeds	9,626	78,350

Bi-lateral agreements

A high percentage of Turkey's foreign trade in agricultural commodities is now covered by various types of bi-lateral arrangements entered into with all its major trading partners except the United States, including among others, West Germany, East Germany, Italy, Yugoslavia, England, France, Czechoslovakia, Bulgaria, Japan, Holland, Belgium and Lebanon.

These bi-lateral arrangements may include one or more of the following features:

- (a) Bi-lateral trade agreement protocols, indicating agreement in rather general terms on exchange of goods between the two countries, usually listing the import and export commodities agreed upon, and sometimes specifying the quantities, volume or value of the commodities expected to be transferred under the agreement.

These trade agreements are sometimes accompanied by:

- (b) Payments agreements - providing for a swing of credits each way at a specified level, thus setting a ceiling on the indebtedness of either party, designed to keep their trade in approximate balance; or

- (c) Arrears agreements - growing out of Turkey's accumulated foreign exchange arrearages, which provides that a stated percentage of the export earnings of given commodities will be applied against commercial arrearages; and less frequently
- (d) Credit agreements - whereby other countries guarantee to furnish credits to Turkey for investment or other purposes against re-payment through future exports.

The complexity of import-export trading that finally actually develops out of these complicated arrangements makes it well nigh impossible to evaluate their effect or impact as measures affecting either volume or prices of agricultural commodities being exported. Regardless of the quantities of the different agricultural commodities specified to be traded under the individual agreements, the volume actually delivered in each case depends not only upon the supply available for export but also upon the unit prices, specifications, and detailed terms of payment and shipment to be worked out subsequent to the over-all agreements by teams of commodity negotiators or by merchants. These prices and terms are apt to depend to a certain extent upon the unit prices and payment terms finally agreed upon for the imported goods accepted under the agreement. There is the possibility that some special export pricing considerations may be involved in certain cases in resolving arrearage deficits; or in off-setting unusually high prices of certain import items. In final analysis, the actual transactions depend in large degree upon the bargaining position of the parties to the over-all agreements.

Foreign Trade Controls

Import control is currently maintained through the issuance of import licenses and the allocation of foreign exchange to importers to cover the cost of the imported items. The Foreign Trade Regime adopted September 1953 grouped all principal import items into two major categories; List III contained an extensive "Liberalization List," i. e., items presumed to be free of any import controls, and List IV designating those items for which import licenses and exchange allocations were required. However, in actuality, the Liberalization List has but little significance. Owing to the increasing stringency in foreign exchange availabilities, virtually all imports are under the close scrutiny of Chambers of Commerce and the Ministry of Economy and Commerce, import licensing and allocations of foreign exchange are authorized as available only on a highly selective basis and apportioned sparingly to meet urgent requirements of various sectors of the economy. However, as indicated earlier, Turkey's normal imports of agricultural products is not important.

Export controls, which have more significance in agricultural foreign trade, are also exercised for certain major agricultural commodities, either directly or indirectly, through export licensing or permission under the general authority of the Ministry of Economy and Commerce, including principal cereals, tobacco, cotton, nuts, dried fruits, olive oil and others. Wheat and other major cereals, as well as raw opium gum, are purchased directly from producers and handled for export exclusively by Toprak Office, a state enterprise under the jurisdiction of the Ministry of Economy and Commerce.

Other export items are handled through the usual commercial trade channels by private exporters, by agricultural sales cooperatives, or by other commercial organizations.

Through the issuance or withholding of export permits, the export of major products may be channeled to certain countries and diverted from others. For example, during the 1954/55 season, exports of cotton to non-EPU countries have been restricted to minimum quantities, in an endeavor to maximize exports to EPU buyers, although demand was strong at relatively high prices. Although the results were not notably successful because domestic prices did not decline sufficiently to attract EPU buyers as anticipated, an illustration is afforded of the way by which exports through private channels may be brought into conformity with governmental policies.

Export premium payments

The Foreign Trade Regime adopted by the Turkish Government in September 1953 (with accompanying and subsequent decrees) provided for the payment of an export premium on raisins and a list of other commodities of lesser importance.

(1) Raisins - By Decrees #907 and #917, September 1953.

<u>Raisin Export Premiums Authorized</u>		Kurus/Kilo
For Grade #9, Seedless		
Against free dollars		18
Against sterling and EPU currencies		16
Against clearing agreements		12
For other grades		
10 percent increase per grade higher than #9		
10 percent decrease per grade lower than #9.		

(2) Other Miscellaneous Products - By Decree #K-907, September 3, 1953.

<u>Commodities (List B)</u>	
Bitter Almonds	Red pepper
Fish oils (industrial)	Mahlep
China products (porcelain)	Machinery, tools, or spare parts (only domestic products)
Apples (fresh)	Fruit seeds
Plums (dried)	Citrus fruits
Rose oil	Sahlep (Orchis Masculata)
Rugs (all kinds)	Vegetables (fresh)
Tobacco, Hasankayf	Soy beans
Caviar (black, red)	Sponges
Apricots and wild apricots (dried)	Wines
Carobs	Fisheries products (all kinds)
Chestnuts	Olives (edible)
Cumin	Mereschaum & products

Export Premiums Authorized on Previous Items

Exports against free dollars	- 50 percent value
Exports against sterling and EPU currencies	- 40 percent value
Exports against other clearing agreements	- 25 percent value

(3) Other fresh fruits - By Decree K/966, April 1, 1955.

Commodities (fresh fruits) added to List F

grapes	raspberries	fresh figs
peaches	berries	melons
strawberries	pomegranates	water melons
plums	quinces	
cherries	apricots	

Export Premiums Authorized on Above Items

Against free dollars	- 100 percent value
Against sterling and EPU currencies	- 75 percent value
Against other clearing agreements	- 40 percent value

Indirect payments to certain exporters

Information available as to payments or benefits, if any, that may be received indirectly by exporters is not very complete or reliable.

Certain Agricultural Sales Cooperatives and Cooperative Exporters Unions, for example, which to a large extent are government supervised and financed, may be reimbursed from public or special funds from time to time, to cover deficits that have grown out of their domestic purchase and export operations, particularly when such deficits have resulted, in part at least, from buying and selling activities authorized by the government in connection with price support measures and foreign trade policies.

In some instances, the deficits have occurred from making purchases of products at government support prices, or at prices authorized by the government for market stabilization, at levels higher than could be realized in the export market. For example, in February 1952, the cotton cooperatives were instructed by the government to make purchases in the attempt to prevent drastic price decline with assurance that losses would be covered.

In some instances, the deficit may be the result of export sales authorized to be made by the government at prices lower than the prevailing domestic market price. (For example, the recent sale of cotton to France at prices reported to be considerably below domestic costs.)

Also, in the fall of 1954, just prior to the new filbert harvest which was anticipated to be large enough to depress prices appreciably, the government authorized the Union of Filbert Cooperatives to buy up at premium prices the remaining 1953 stock yet held by merchants who had been unable to dispose of their holdings in the export market at prices high enough to cover their purchase costs, with assurance to the cooperative that any losses incurred would be covered.

The Toprak Office (Toprak Mahsulleri Ofisi) is required to purchase all major cereals (and raw opium) offered by producers at prices fixed by the Council of Ministers, well above the current world market levels. It is also the only authorized exporter of these commodities. Up until about 1952/53 the Toprak Office was able, in general, to dispose of its exportable surplus at prices equal to, or in excess of purchase costs. Since that time, however, competitive world prices have compelled Toprak to incur substantial losses on practically all grain exported. As a government agency, its operations are financed and deficits covered by the extension of Turkish Central Bank credit guaranteed by the Treasury.

Price Support Programs

Price supporting measures for the benefit of producers are in effect with respect to several agricultural commodities, i.e., prices at which governmental agencies or agricultural cooperatives are authorized to make purchases from producers of commodities intended for processing, for domestic re-distribution, or for export. However, none of these appear to be coupled with any sort of multiple price systems.

For example:

Wheat, rye, oats, barley, corn - Toprak office purchases all supplies offered by producers at prices fixed by the Government.

Filberts - Union of Filbert Sales Cooperatives authorized to support prices to producers during 1953/54 at 125 kurus per kilogram.

Tobacco - Tobacco Monopoly makes purchases for domestic manufacture, for supporting the market if competitive prices to producers are not satisfactory, and for relieving producers of unsalable stocks.

Sugar beets - Prices to be paid producers by the Turkish Sugar Company are fixed by Council of Ministers. (Not an export item).

Opium - Prices to be paid producers by Toprak Office are fixed by Council of Ministers.

Deblockage

The exportation of a limited list of commodities is stimulated by inclusion on a "deblockage list", i.e., they may be exported for the purpose of releasing specified types of local currency accounts blocked in Turkey, such as profits of certain foreign companies operating in the country, whose activities do not come within the provisions of Foreign Investment Law as well as non-commercial accounts growing out of inheritances, sale of property, etc.

For the privilege of utilizing the foreign currency so earned, exporters find an incentive in moving these products into the foreign market and are willing to purchase them locally at a premium over the world market. In general, these are normally slow moving items, including mohair; fresh, preserved, and dried deciduous fruits and vegetables; minor nuts; processed meats; silk cocoons; hemp seed; rose oil; various forestry and fishery products; and other numerous special agricultural commodities of minor importance.

Takas or Compensation Trading

Prior to The Foreign Trade Regime of 1953, a group of slow moving export commodities were on what was designated as "weak list items" on which the exporter was permitted the right to use the foreign exchange so earned to buy import goods. These rights (takas) were negotiable, i. e., the exporter who did not wish to use his takas, could sell them to importers, usually at considerable premium. Consequently, the exporter was able to pay a good price for the goods to be exported, offsetting any losses through mark-ups on imported goods or through sale of import privileges. The "weak list" and "takas" trading procedures were omitted from the 1953 Foreign Trade Regime. However, a form of compensation trading has been utilized in a few special transactions during the past year, for example, a sale of cotton to Japan and a sale of wheat to Spain, under which the exporters were permitted to use, or dispose of, the foreign exchange so earned for the importation of a specified list of items.

Import Tariffs on Agricultural Commodities

The list of items subject to import tariffs includes virtually every type of raw and processed agricultural commodity with ad valorem rates ranging from 5 to 100 percent of value. However, since Turkey is not normally an importer of agricultural products in appreciable volume, the existence of tariff rates has but little practical significance. The tariff regulations are subject to modifications with reference to commodities listed under GATT, as well as those handled under certain bi-lateral agreements. Furthermore, commodities imported for government use or disposal may be declared exempt from all duties and taxes by action of the Council of Ministers. For example, all cereals (on which the ad valorem is listed as 50 percent) to be imported by the Toprak Office after November 1, 1954 were freed of all customs duties and taxes by Ministerial Decree. This was to cover the grain to be imported from the U.S. under PL 480 and other transactions growing out of the Turk-U.S. agreement signed in Washington in November 1954.

Summary

As indicated in the foregoing, various measures are being applied, or may be applied, to stimulate the exportation of agricultural products. Most of these measures involve some aspects of a subsidy, either directly or indirectly, to offset the differential between domestic prices supported at relatively high levels and prices that can be obtained in the foreign market. In some instances, the differential loss is absorbed directly by the agency of the government which handles the product, as wheat, opium. In others, a direct export premium payment is authorized, as raisins and "List B" items.

Under certain circumstances, the Agricultural Sales Cooperatives may be authorized by the government to move their products at world market prices with assurance that deficits so incurred will be covered. In general, the terms of sale and pricing policies actually employed present a confusing and unclear picture by reason of the complexity of the numerous bi-lateral and other trading arrangements which involve the exportation of agricultural commodities under a wide variety of special terms and conditions.

1 m.t. = 2,204.6 lbs.

1 TL (100 kurus) = \$0.357.

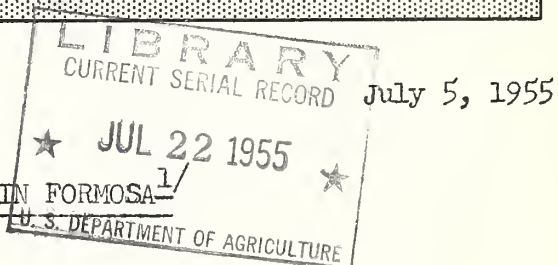
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FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D. C.

FATP 21-55



The Chinese Nationalist Government regards agriculture as the foundation of the Formosan economy. The goal of national self-support in Formosa rests upon the rising value of agricultural exports to finance necessary imports such as cotton, soybeans, wheat, as well as industrial raw materials, and other goods.

Developments in Formosan agriculture continue, as in the past several years, to be geared closely to the unique political and military situation of the island. The population is estimated at 10 million, about one-fifth of whom came to Formosa from the Mainland since 1945. Heavy demands have been placed upon agriculture to support not only the sharp increase in population, but the military structure as well.

About half of the total population is engaged in agriculture, farming less than one-fourth of the total land area (13.8 thousand square miles). Farms are small, averaging slightly more than three acres. Still, agriculture in Formosa shows a more marked commercial orientation than that of many other areas of the Far East.

Two crops--rice and sugar--are dominant in Formosan agriculture, and for many years they have been the major items in Formosan commerce. As such, they are considered to be the keys to overall economic development in the island. Roughly 40 percent of the gross national product is of agricultural origin, and about 90 percent of the country's foreign exchange earnings is derived from the export of agricultural products.

Basic to all policy decisions is the Communist military threat. In the formulation of policy for agriculture, no less than in other specific areas, primary consideration is given to the political, social, and military situation, while economic and technical judgments are, to some extent at least, subordinated thereto.

The basic government policy for agriculture in Formosa--to encourage maximum production--is perhaps not essentially different from that of many other countries except in the degree of urgency.

1/ Prepared by R. H. Kirby, Asia and Middle East Analysis Branch, from despatches received from the American Embassy, Taipei, Formosa.

Two major objectives are expected to be met under this policy. A cheap and abundant food supply is expected to relieve the inflationary pressures and contribute to the stabilization of prices generally. The Government has undertaken to maintain buffer stocks of rice in order to insulate prices against possible fluctuations in production. There appears to be a conflict of interests here in that farmers may not be encouraged to produce abundantly at cheap prices desired for the consumer population. However, aid from the United States in the form of food shipments has contributed to the achievement of this objective. It is felt that a continued abundance of food is necessary to maintain the morale and support of the farmers, as well as of the army and the urban population, which includes most of the recent refugees from the Mainland.

The second objective is to improve the foreign exchange position of Formosa by increased production of export crops and of some of the farm products presently imported as well. Many programs have been undertaken that may be expected to contribute directly to greater production. Nearly all have been developed and implemented through the cooperative efforts of the Sino-American Joint Commission for Rural Reconstruction and agencies of the Chinese Government. They provide for work in irrigation and land reclamation, as well as in research and extension in such technical areas as crop improvement, use of fertilizers, livestock breeding, and pest and disease control. The overall area under cultivation has been increased from 2,126,000 acres in 1940 to 2,157,000 acres in 1953, and the amount of double cropping has increased. It is generally recognized, however, that the hope for increased production and for larger profits from food exports is largely dependent upon greater yields per acre and decreased production costs. Present yields are below prewar, but increases are being achieved. Total agricultural production in recent years is nearly up to prewar levels, with a reduced output of sugar but a greater output of rice.

But costs of production are high, and Formosa finds difficulty competing in world markets. Furthermore, sugar and rice, the two major foreign exchange earners, were adversely affected by world surpluses and consequent price weakness last year. Large quantities of surplus wheat were imported from the United States in 1954 under a program whereby the wheat would replace rice in the local diet and thus increase the export supply of rice. During the course of the year, however, the wheat-rice price ratio became less advantageous for such a plan. It became increasingly difficult to move either the wheat or the rice, and at the end of the year rice stocks were over 900,000 metric tons--much greater than a year earlier.

The land reform program, begun in 1949 and now essentially complete, will probably yield less direct results in terms of increased production. This program established regulations regarding rental and tenure favorable to tenant farmers, and also provided for the sale of certain public and private lands to tenants under favorable terms. The program has been eminently successful insofar as the ex-tenants and present tenants are concerned, and has gained substantial Taiwanese political support for the Government. Observers agree that since the reform more agricultural produce has been consumed on the farms and less has been marketed.

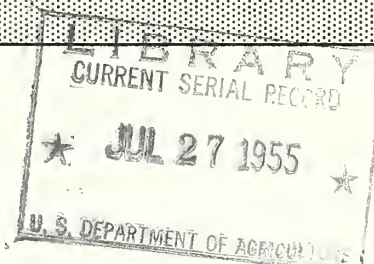
To ~~some~~ extent the benefits of the reform are being reflected in a higher level of living of the new smallholders, and perhaps too small a share of the benefits is being utilized as working capital. Former landlords are no longer able to provide credit as before, and there is a strong demand upon the Government to expand rural credit facilities.

Formosan agriculture has achieved commendable results in recent years, and is contributing significantly to the overall economic development. Programs designed to increase crop and livestock production are bearing fruit. As long as the present political-military situation exists, Formosa will likely be dependent upon United States aid in some form.



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WASHINGTON, D.C.



FATP 22-55

July 5, 1955

POLICIES AND PROGRAMS IN INDIA THAT TEND TO DETER U.S. TRADE IN AGRICULTURAL PRODUCTS ^{1/}

Basic Features of GOI Agricultural Policy:

Government of India agricultural policy during the first half of 1955 has been strongly influenced by the continuing decline in the price level of agricultural commodities which began in the latter half of 1954. The decline has been both extensive and severe. Wholesale prices in general, as measured by official index numbers, fell from 404 in April 1954 to 344 in April 1955. Agricultural prices fell faster, however. The food group of commodities fell from 382 to 282 during the period ^{2/}

The fall in agricultural prices has caused considerable concern and debate in both official and non-official circles. The concern has been based partly on the short-term effects the decline may have on the economy and partly on its long-term effects on the realization of goals being set up under the Second Five Year Plan.

In a bid to save farmers from the impact of an unrestrained price drop the Government of India adopted in early 1955 a policy of limited and selective price support and free internal movement of farm products. It laid down minimum prices for fair average quality white wheat and for gram and has undertaken official purchases of these two grains wherever market prices go below the minima. Rs 120 million has been earmarked for support-price purchases of f.a.q. white wheat at Rs. 10 per maund (equivalent to \$1.53 per bushel). Although support-price purchases to date are not large it appears that a measure of price stability is being maintained in the principal wheat markets of North India.

The Government of India also has undertaken to support the price of gram. Gram (chickpeas) is to be bought at Rs. 6 per maund under the general system set up for purchases of wheat.

^{1/} From recent dispatches prepared by Tilmer O. Engebretson, Agricultural Attache, American Embassy, New Dehli. Adaptation by Asia and Middle East Analysis Branch.

^{2/} Year ending August, 1939 = 100

The decline in agricultural prices has not resulted in any noticeable blunting of the official zeal for increased agricultural production. The Second Five Year Plan, while placing greater emphasis on industrial projects, does not propose to neglect the agricultural sector. Agricultural development proposals entailing expenditures of Rs 6,500 million during the Second Plan were discussed by officials of the Union Ministry of Food and Agriculture, State Governments and the Planning Commission during May.

The provision of Rs 38 million for fisheries, Rs. 116 million for agricultural research, Rs 95 million for veterinary education, research and training and Rs 28 million for agricultural marketing also represent similar substantial increases.

The Second Five Year Plan estimate of expenditures on cotton development is of the order of Rs 32 million. Jute production is also to be increased and the quality improved. The production of tobacco, pepper, cashewnut and arecanut likewise is to be promoted through Second Five Year Plan financing.

The foregoing proposals embodied in India's Second Five Year Plan would appear to indicate that, so far at least, the past year's decline in agricultural prices has left undaunted the Government of India's determination to forge ahead on a wide front in promoting further increases in agricultural production.

Stimulation of Agricultural Exports.

A guiding principle of GOI export policy, as far as agricultural commodities are concerned, has been the maximizing of exports in a manner consistent with domestic requirements. In the implementation of this policy there have been periodic adjustments designed to cope with particular situations affecting the supply of, and demand for, individual commodities. By and large, however, export policy has been aimed at (1) ensuring that exports of certain essential commodities like oilseeds and oils do not exceed the limits set by internal needs, (2) ensuring that the timing of exports take into account the need of minimizing hardships to domestic consumers, (3) promoting the export of commodities in a form considered most desirable, e.g., export of vegetable oils instead of oilseeds, partly in order to encourage the domestic oil-crushing industry and partly to retain the oilcake for domestic use and (4) giving a directional bias to trade by encouraging exports to a particular currency area.

With respect to incentives for export the current situation is as follows:

1. There are no known direct or indirect payments to exporters of agricultural commodities;

2. India is not using multiple exchange rates;

3. India currently has a limited price support program for wheat. India, however, does not export wheat so that the price support program has practically no significance as far as India's export program is concerned.

4. Since Partition India has resorted to export taxes on an increasing number of commodities. These taxes have been levied either for revenue purposes, as in the case of pepper, or for the purpose of ensuring adequate domestic supplies at reasonable prices, as in the case of oils and oilseeds. Some of these taxes have been abolished and some reduced during the past year, in recognition of the improved domestic supply situations in individual commodities and due to the general recession in the domestic price level of agricultural commodities.

5. There are no special freight rates for exported products. However the Railway Budget for 1955-56 proposes to grant concession in the freight rates for agricultural commodities. These concessions are aimed at facilitating the movement of foodgrains to internal deficit areas situated at considerable distances from the surplus areas rather than at promoting their export. The proposal is to reduce the major load scale of grains and pulses about 7 percent for distances ranging from 301 to 600 miles and about $5\frac{1}{2}$ percent for distances beyond 600 miles.

There are indications that the Government of India is contemplating the use of concessions in freight rates as a stimulus to exports. In an address before the Export Advisory Council on May 22, Mr. T. T. Krishnamachari, Commerce and Industry Minister, reportedly stated that he would shortly confer with the Railway and Finance Ministers to consider exporters' difficulties with regard to freight charges. He is said to have agreed that the demand for special treatment of exports in respect of freight rates deserved consideration.

6. There is no use made of deficiency payments to producers, pool operations, etc., as a means of promoting exports. The existing pooling of coffee production under the auspices of the Indian Coffee Board is concerned mainly with the regulation of supplies for domestic consumption and ensuring a reasonable price for the Indian consumer.

Export Promotion

The Government of India actively encourages the formation of Export Promotion Councils. Addressing the Export Advisory Council on May 22, Mr. D. P. Karmarkar, GOI Minister for Commerce, emphasized the growing need for steps to develop and broaden the export trade and asked the Council to aid in evaluating current export promotion measures and devising ways of furthering this effort.

Tea is India's principal export. A sum equivalent to \$475,000 was allocated by India to the Tea Council in 1954-55 for tea promotion in the United States.

It is reported that Export Promotion Councils are also planned for tobacco, pepper and cashew nuts.

The above paragraphs set forth the basic features of GOI export policy in regard to agricultural commodities. It should be pointed out that in the implementation of this policy there have been periodic adjustments designed to cope with particular situations affecting the supply of, and demand for, individual or groups of commodities.

The GOI Ministry of Commerce and Industry announced on June 16 a series of adjustments relative to the policy on exports of a number of agricultural commodities which result in a liberalization of trade in those commodities. These adjustments are summarized as follows:

Exports of cane jaggery and cane jaggery powder, gram and gram flour, kardiseed cakes and nigerseed cakes will be licensed freely without any quantitative restrictions up to the end of December 1955. Export of pulses other than gram will also be licensed freely, subject to certain quantitative restrictions, up to the end of December 1955. Free export licensing of rice bran, within a fixed ceiling, will be allowed until the end of December 1955. Licenses for the export of wheat bran will be granted freely, within an overall ceiling, effective up to the end of September 1955; any one roller flour mill being permitted to export up to a maximum of 2,500 tons. Licenses for the export of kardiseed and nigerseed during the next six months will be issued freely within a quota of 20,000 tons (combined); any one shipper being allowed to export up to a maximum of 250 tons from all ports. Export of peanut oilcake (expeller variety) will continue to be licensed freely, as hitherto, up to the end of September 1955 within an overall ceiling. The ceiling of 50,000 tons for peanut oilcake fixed earlier has been raised to 60,000 tons. Fresh export quotas of 10,000 tons of undecorticated cottonseed cake and 5,000 tons of copra cake have also been announced. Decorticated cottonseed cake will hereafter be licensed freely for export by all manufacturers or non-manufacturers, without any limitations.

Effect of Agricultural Policy on Imports of Agricultural Commodities

India's capacity to import agricultural commodities is limited by her needs for non-agricultural imports, by her restricted capacity to export commodities with which to earn foreign exchange, and by the shrinking amount of her wartime foreign exchange balances.

India's need for imports of agricultural commodities has been, and will be, affected by the degree of success attained in achieving the objectives of the Second Five Year Plan. If the targets of agricultural production which have been set up are largely achieved, India's self-sufficiency in primary agricultural commodities will be greatly enhanced. This may be expected to have an unfavorable effect on United States and other countries' agricultural exports to India. However, as far as the United States is concerned, considerations other than the volume of domestic (Indian) agricultural production have an important bearing on U. S. marketing prospects in India. Currently the high price of American products presents a major difficulty. Also, India being halfway around the world from the United States, a formidable trading handicap in the form of high ocean freight rates exists. It is difficult, therefore, for the United States to create for its agricultural commodities a truly competitive position in the Indian market.

Increased agricultural production may not necessarily result in greatly reduced Indian imports of agricultural commodities. If accompanied by a general increase in economic activity and, particularly, industrial employment, greater consumer demand and purchasing power may well absorb a large part of the planned increases in agricultural production.

The Indian drive for self-sufficiency in cotton will continue, as indicated by proposals in the Second Five Year Plan. It is expected, however, that imports of U. S. cotton will be maintained at 100,000 bales or more annually for the foreseeable future. The United States supplies India cotton of 1-1/16" staple or above and, although domestic production of these longer staples will undoubtedly increase, India may be expected to continue significant imports of these lengths, since local cotton strains are not always fully comparable to foreign growths in overall spinning quality. U. S. cotton export prices and ocean freight rates may be of greater significance than the volume of Indian cotton production in determining the future level of U. S. cotton exports to India.

Foodgrains, principally wheat and milo, have at times been important U. S. exports to India. India currently has a comfortable position in foodgrains. The only immediate possibility of selling foodgrains to India involves the use of PL 480 and the sale of wheat, for stockpile purposes, for local currency. India has been an in-and-out market for U. S. grain and seems likely to continue so for the foreseeable future.

Dairy products represent one of the more promising possibilities for U. S. exports to India. On a per capita basis domestic production and consumption of dairy products is almost negligible and will continue to be so for a long time. From a value standpoint, and in the short-term, ghee presents real possibilities for U. S. exporters. Quantitatively, and in the long-term, dried skim milk, combined with anhydrous milk fat, offers the greatest opportunity for market development. Exploitation of this opportunity, however, depends on the setting up of recombining plants to properly utilize dairy product raw materials. Even after the establishment of the requisite recombining plants, however, it will be necessary to take into account the probable intensity of price competition from Australia and New Zealand.

Over a number of years Indian imports of U. S. tobaccos varied between three million and five million pounds annually. Such imports declined to about one million pounds in 1954. There is a limited market in India for high quality, high-priced cigarettes. The low per capita purchasing power in India makes it impossible for the mass of Indian smokers to indulge in anything but the cheapest tobacco. The per capita consumption of tobacco in India is among the lowest in the world and presents possibilities for expansion. For the foreseeable future, however, no significant increase in imports of U. S. tobacco is indicated. U. S. tobaccos are used only in the higher quality brands, the market for which is limited.

Agricultural development schemes under the proposals fall into three categories, namely, schemes on which expenditures will be incurred directly by the Union Government, schemes to be carried out by the States with financial and other assistance from the Centre, and schemes wholly financed by the States.

The Central schemes will require an outlay of Rs 430 million. Out of Rs 5,150 million needed for the jointly financed schemes, Rs 4,050 million, or about 78 percent, are to be provided by the Centre, and Rs 1,100 million by the States as their share.

Basically, the Second Five Year Plan proposes that the agricultural production index is to be stepped up from the present 113 to 135 in 1960-61. This, according to the proposals, would involve an investment of about Rs 1,610 million, nearly Rs 500 million more than the corresponding figure in the First Five Year Plan.

Expressed in terms of output the Second Plan is designed to effectuate in 1960-61 a total production of 63.5 million tons of cereals and 11.5 million tons of pulses. This compares with the production target of 55.0 million tons of cereals and 10.0 million tons of pulses for 1955-56, the final year of the First Five Year Plan. (Actual production in 1953-54 amounted to 56.1 million long tons of cereals and 9.9 million tons of pulses.) The 1960-61 target for cereals and pulses will, if achieved, provide 15.5 ounces and 2.8 ounces respectively, per capita per day.

Schemes also have been drawn up for development of fisheries, horticulture and dairies in order to try and correct the present imbalance in the Indian diet in which carbohydrates predominate and to provide a larger supply of supplementary and protective foods such as milk, meat, fish, fruit, and vegetables.

Some significant changes relative to the magnitude of certain agricultural development activities are evident in comparing the Second Plan proposals with provisions in the First Five Year Plan. The tabulation below shows a distinct increase in emphasis on some of the, for India, peripheral activities in agricultural development:

<u>Activity</u>	<u>Magnitude</u>	
	1st Plan	2nd Plan (Proposals)
	(Millions of Rupees)	
Warehousing, Credit & Coops.	220.0	400.0
Dairy Development	6.0	200.0
Forestry Development	7.6	166.0
Resettlement of Landless	15.0	500.0

Despite the long term outlook for greatly increased total agricultural production in India, it is not believed that this presages an inevitable cessation of significant agricultural commodity imports. Nor does it suggest that the volume of U. S. exports of agricultural commodities to India must decline. There are too many variables in the situation, however, to predict with any degree of certainty the exact pattern of India's agricultural imports in the years to come.

Note: 1 Rupee equals 21 cents U.S.; there are 16 annas to a rupee, and
 12 pies to an anna.
 1 Maund equals 82.28 pounds.
 Tons are long tons of 2,240 lbs.



FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE
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WASHINGTON, D. C.

FATP 23-55

July 20, 1955

A28/9
F76F
Cap. 2

INDIA'S FERTILIZER PROGRAM

India has 375 million people on a land area of 811 million acres, of which 320 million acres are cropped, including 40 million acres of double cropping. The cropped area is distributed roughly in millions of acres as follows: rice 75, wheat 28, other cereals 107, pulses 50, oil seeds 28, cotton 17, sugar cane 5, other specialty crops including tea, tobacco, and coffee 10.

Yields in India are among the lowest in the world. During the past half century India has been confronted, on the one hand, with decreasing crop yields and, on the other hand, with a rapidly growing population to which 5 million persons are added annually. During this period, the average of rice yields, the principal food crop, has dropped from 920 to 745 pounds per acre (milled basis). It was obvious that this unfavorable trend had to be reversed if India was to survive. As a result of these opposing trends, India has become more dependent on imports of food grains which, in most years since the war, have amounted to 2 to 5 million tons annually. Because of the unusually favorable monsoons of the past two years, the yield of nearly all food crops has been above average and the need for imports has been greatly reduced, but because of the variations in weather conditions this relief is likely to be temporary.

In order to combat the growing food shortage and otherwise to improve the economy, the Government of India set up a "Five Year Plan" which ends March 31, 1956. This plan laid great emphasis on improving yields and increasing agricultural output, and particularly foodgrain production. To this end very large expenditures over the five years were scheduled for expanding irrigation. Some 28 million acres were to be added to the 50 million already under irrigation. A national extension service was established and large scale community development projects were undertaken, even though these were not envisaged in the original "Five Year Plan."

Although all the irrigation projects envisaged in the 28 million acre expansion will probably not be completed at the end of the First Five Year Plan, they undoubtedly will be continued and completed during the Second Five Year Plan. Indications are that the second plan will include many new irrigation projects with an acreage sufficient to raise the total to 90 million acres under irrigation when all the projects have been completed.

A lot of progress has been made in setting up and operating training centers throughout India for the training of the staff of the national extension service. This staff now numbers 12,800 of which two-thirds are village level workers. Community development projects have been set up that cover one-fourth of India's rural population. This activity is to be greatly extended under the second plan.

Until recent years India has used very little chemical fertilizer except on plantation crops such as sugar cane, tea, coffee, and tobacco. In November 1951 the Government owned nitrogen fixation plant at Sindri in Bihar State came into production. This plant, known as the Sindri Fertilizers and Chemicals, Ltd., has a rated daily capacity of 1,000 long tons of ammonium sulphate (21% nitrogen) or an annual capacity of about 70,000 tons of nitrogen. Plans are under way now to expand the capacity of this plant to 120,000 tons of nitrogen annually. In 1954 the Sindri plant produced 58,000 long tons of nitrogen in the form of ammonium sulphate. Other small plants produced ammonium sulphate having a nitrogen content of about 12,000 tons. Total production in India in 1954 was 340,000 long tons ammonium sulphate having a nitrogen content of about 70,000 tons.

The tentative outline of the "Second Five Year Plan" which begins April 1, 1956 calls for the construction of three more Sindri nitrogen fixation plants in different parts of India, with additional capacity of 250,000 long tons of nitrogen at a cost of \$200 million.

Consumption in India of ammonium sulphate from domestic production and imports is reported as follows: 276,000 long tons in 1952, 422,000 tons in 1953, and 550,000 tons in 1954. Most of this fertilizer is now being applied to rice and wheat with good results. Experimental work and test demonstrations have disclosed that 100 pounds of ammonium sulphate judiciously applied to rice will increase production by about 300 pounds of paddy. Responses of wheat are almost equally favorable. Consumption of nitrogenous fertilizer is expected to increase substantially in future years as new nitrogen fixation plants come into production.

In anticipation of increased availability of chemical fertilizer, the Government of India has initiated a comprehensive fertilizer test demonstration program and soil testing laboratories are being established in most of the States.

The Government of India not only has the problem of expanding production to be more self-sufficient in food for its present population but in order to feed the 5 million annual increase in population India requires 800,000 long tons of additional foodgrain annually. In view of Government of India programs now in being or contemplated, it would appear that food production will be increased so that in good crop years only small imports of 1 to 2 million tons will be needed, while in bad crop years very substantial imports may have to be made, running up to 5 million tons or above.

The attached tables on the fertilizer industry of India should be of interest to the United States fertilizer industry and to the grain trade generally. They were prepared by Ward H. Sachs, formerly fertilizer specialist of the Foreign Operations Administration Mission to New Delhi, India, and were attached to his undated, mimeographed, final report entitled "Fertilizer Program in India," issued in May 1955.

Table 1 shows the targets for consumption of commercial plant food annually for the crop years 1954-55 through 1960-61. Tables 2 and 3 show domestic production, and tables 6 and 7 annual consumption of ammonium sulphate and superphosphate. Table 4 provides detailed information on the imports and exports of commercial fertilizers for a 25-year period, while table 5 provides the details on fertilizer imports under the Indo-American Aid Agreements.

Table 1. India: Targets for Consumption Commercial Plant Food

Long Tons			
<u>Year</u>	<u>Nitrogen</u>	<u>Phosphoric Acid</u>	<u>Potash</u>
1954-55	100,000	20,000	8,000
1955-56	120,000	30,000	10,000
1956-57	150,000	40,000	12,000
1957-58	190,000	50,000	15,000
1958-59	240,000	70,000	20,000
1959-60	300,000	90,000	25,000
1960-61	370,000	120,000	30,000

Table 2. India: Production of Ammonium Sulphate

Long Tons					
	<u>Sindri</u>	<u>Fact</u>	<u>Other</u>	<u>Total</u>	<u>Total Tons N.</u>
1947		3329	17947	21276	4360
1948		21130	14078	35208	7220
1949		25928	20008	45936	9420
1950		25738	21566	47304	9700
1951	8000	18492	26212	52704	10800
1952	172502	20142	27664	220308	45160
1953	265704	27520	26392	319616	65520
1954	278075	31826	30321	340222	69750

Rated capacity 425,000 tons Ammonium Sulphate

Table 3. India: Production of Superphosphate

Long Tons		
	<u>Superphosphate</u>	<u>P2O5</u>
1947	13794	2200
1948	21358	3420
1949	46724	7480
1950	52432	8390
1951	61018	9760
1952	46650	7460
1953	48294	7730
1954	105056	16810

Rated capacity 210,000 tons superphosphate

Table 4. India: Imports & Exports Chemical Fertilizers

Long Tons				
	<u>Imports*</u>			<u>Exports</u>
	<u>N</u>	<u>P2O5</u>	<u>K2O</u>	<u>N**</u>
1930-31	4,670	8,200	2,159	994
31-32	4,233	1,090	3,297	625
32-33	8,102	1,366	2,910	62
33-34	7,060	2,929	1,815	435
34-35	9,909	4,696	2,867	626
35-36	10,649	4,876	2,238	1,450
36-37	13,512	3,895	1,377	538
37-38	11,779	3,359	2,266	393
38-39	16,536	3,484	1,397	269
39-40	-	-	-	-
40-41	-	-	-	-
41-42	788	562	50	4
42-43	279	-	348	
43-44	523	24	629	
44-45	16,453	27,017	299	
45-46	14,628	1,994	747	
46-47	26,543	2,214	644	
47-48	32,638	8,728	1,512	
48-49	32,158	4,510	966	
49-50	44,535	11,179	2,034	
50-51	77,071	18,049	4,810	
51-52	15,171	15,516	6,575	
52-53	6,812	5,022	2,628	
53-54	15,846	12,507	7,205	

* Imports include imports into territory now forming Burma up to 1936-37 and territory now forming Pakistan up to 15 August 1947. Does not include that imported through Indo-American Agreements.

** All to Ceylon as ammonium sulphate except 15 tons in 1931-32.

Table 5. India: Imports under Indo-American Agreements

<u>Material</u>	Long Tons			
	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955*</u>
Ammonium nitrate		3,000		
Ammonium nitrate-limestone		500		2,000
Ammonium phosphate	4,000	500		
Ammonium sulphate	115,750	75,000		25,000
Ammonium sulphate-nitrate		3,000	5,200	14,000
Nitrophosphate	1,000	500		
Triple superphosphate	4,000	500		
Urea	1,000	7,000	5,000	17,000
Muriate potash				500
Totals	125,750	90,000	10,200	58,500

* Planned, of which 2000 tons ammonium nitrate limestone, 9,000 tons ammonium sulphate, 3,000 tons ammonium sulphate-nitrate and 500 tons muriate of potash are for technical assistance, the remainder for development assistance.

Table 6. India: Consumption of Ammonium Sulphate

	Long Tons			
	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>
Andhra			59,635	51,921 (***)
Assam	250	500	1,540	
Bhopal	3		87	287 (***)
Bihar	10,470	12,231	20,140	20,707
Bombay	38,981	16,176	31,000	39,536 (***)
Coorg	33	33	168	298
Delhi			392	462
Hyderabad	10,826	6,459	19,500	
Madhya Bharat		98	500	
Madhya Pradesh	4,226	3,045	18,000	16,410 (***)
Madras	101,758	88,554	87,117	63,472
Mysore	3,688	4,475	8,200	16,102
Orissa	5,331	4,375	11,000	9,320 (***)
Pepsu	367	323	2,686	3,978
Punjab	3,861	4,580	14,500	18,980
Rajasthan	272	306	2,148	1,670
Travancore-Cochin	5,278	3,775	2,888	8,646
Uttar Pradesh	35,369	37,743	44,893	33,552 (***)
Vindhya Pradesh	156	74	95	130
West Bengal	8,284	8,511	18,414	9,756 (***)
Coffee	5,000	6,000	3,255	
Tea	40,000	55,000	58,000	
Upasi*	8,200	13,000	11,120	
Total Agricultural	282,353	265,258	415,278	
Industrial	11,000	11,000	7,590	
Grand Total:	293,353	276,258	422,868	550,000 (**)

* United Planters Association, South India.

** Estimated total consumption.

*** For three quarters.

Table 7. India: Consumption of Superphosphate

	Long Tons	
	<u>Superphosphate</u>	<u>P2O5</u>
1949	19,000	3,000
1950	36,000	5,800
1951	43,000	6,900
1952	28,000	4,500
1953	50,000*	8,000
1954	80,000*	13,000

* Estimates

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FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D. C.

FATP 24-55

August 1, 1955

Programs for Stimulating Farm Exports from Sweden

Self-sufficiency in food production is the principal aim of the agricultural production policy of Sweden. To further this aim Sweden employs a policy of protection for agriculture with prices of major farm products regulated in such a manner that the desired level of production is attained. The adopted system of regulation not only grants protection against excessive imports (by means of import fees and centralization of trade) but also provides for moving export surpluses when they appear. Sweden normally produces only small surpluses of such livestock products as butter and bacon but with its marked expansion of production in the last few years it has had substantial quantities of breadgrains for export, and to a lesser extent of oilseeds. It is the aim of present policies to organize the marketing of Swedish farm products in such a manner that losses suffered on exports are born by the producers or processors rather than by the Government.

Foreign trade in important agricultural products is centralized in import-export organizations with monopolistic control over foreign trade in their respective products. Some of these trade organizations or boards are composed of representatives of trading and processing associations, others are individual corporations.

Export Programs for Individual Commodities

The export programs at present in effect for certain important commodities are briefly outlined below:

Meat. Meat exports are handled under Government supervision by the Swedish Meat Trade Association (Svensk Kotthandel) composed of representatives of 4 trade organizations, including the Swedish Farmers Meat Marketing Association (Sveriges Slakteriforbund), which acts as the import-export agency for the Association.

When the Association imports meat at prices below the domestic market level it applies an import excise corresponding to the difference between

From a report from the Office of the Agricultural Attache, Stockholm, Sweden. Prepared for publication by the European Analysis Branch, Foreign Agricultural Service.

the domestic market price and the import price.

The income from the above source has been relatively small recently owing to a reduction in the domestic price of meats. As a matter of fact, imports have sometimes been made at a loss. However, the Association has had access to other means for covering losses on exports ("losses" used here in the meaning of difference between the domestic wholesale price and the export price). Funds have been derived from an excise on hogs slaughtered. Furthermore, the Association has obtained contributions from funds accumulated by the Agricultural Marketing Board from excises applied to imports of certain kinds of meat (salted horse meat, dry-salted American pork, etc.) and so-called colonial products (coffee, tea, spices, etc.). Because of the present insignificant exports of meat the excise on domestic hog slaughter was discontinued on May 31.

Dairy Products. Exports of butter are handled exclusively by the Swedish Dairies Association (SMR), a farmers' cooperative which controls 98.3 percent of the milk supply. In 1954 about 29 million pounds of butter were exported at an average price of 46 cents per pound as compared with a domestic wholesale price of 53 cents per pound. The export loss has been covered by contributions from various funds. In the first place, the proceeds of the so-called equalization fees levied by the SMR on all sales of cream and cheese, as well as on the manufacture of cheese, have to some extent been used for this purpose. Furthermore, the excises derived from imports of cheese have been partly used. Finally, SMR has obtained a share of the funds derived from excises on imported feed.

As indicated, the export losses for butter are principally covered from funds accumulated within the SMR organization and from funds derived from cost-increasing excises applied to imported feed.

Losses on cheese exports have been covered by contributions from the fund derived from import excises for dairy products and equalization charges in about the same manner as for butter. Cheese subsidies have been fixed in a certain relation to the export subsidies for butter.

Losses on exports of dry whole milk, non-fat dry milk solids and condensed milk are covered in the same manner, the subsidies being held in a certain relation to the butter subsidies.

Payments for supporting exports of dairy products amounted to about 16 million kronor (3.1 million dollars) in 1954.

Eggs. Exports are controlled under government supervision, by The Swedish Export-Import Association for Eggs, the members of which are The Swedish Egg Marketing Association, The Swedish Egg Wholesalers Association and The Consumers Cooperative Wholesale Society. The Association allocates exportable quantities among the members.

The Association has government directives to undertake exports to the extent necessary for maintaining the price to the producers at an average

level of 25 cents per pound and it is entitled to export subsidies whenever the domestic price to producers does not exceed 30 cents per pound.

Funds needed for the export subsidies are derived from two sources:

1. All import excises for corn and a share of the excises for other imported feed.
2. A share of certain fees paid by the oil seed processing plants on the basis of home-produced oil cakes and meal.

In 1954 the Association paid net about 3 million kronor (580 thousand dollars) in export subsidies and collected about 100,000 kronor (20 thousand dollars) for eggs exported at a price above the domestic market.

Wheat and Rye. Exports of wheat and rye, both as grain and flour, are handled, under government supervision, by a monopolistic organization, The Swedish Grain Trade Association. This Association has also monopoly rights to export rape and mustard seed.

Funds required for financing losses on exports of wheat and rye and certain products thereof are derived from two sources:

1. A fee on bread grain paid by the millers which at present brings an income of about 35 million kronor (7 million dollars) a year.
2. Direct Government subsidies in instances when the Agricultural Marketing Board requires the Association to undertake exports at a loss.

Grain exports are also indirectly subsidized to the extent that the Government assures the Association against price risks in connection with storing, etc.

Oil Seed. The exports of oil seed are handled by the above-mentioned Swedish Grain Association. Losses on exports are covered by a deduction from the price to the producers.

Fats and Oils. Most of the exports are handled by the crushers under a general license issued by the Swedish Fat Import Association. In connection with such exports the import excises and domestic regulation fees paid are refunded.



FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D. C.

FATP 25-55

July 29, 1955

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POLICY AND PROGRAMS WHICH TEND TO DETER U. S. TRADE
IN AGRICULTURE PRODUCTS IN MALAYA

Policy

Three types of controls are in existence in Malaya which tend to restrict trade. They are exchange controls, import licenses, and preferential tariffs in the Federation.

In general the import policy of Singapore and the Federation Governments for imports from the dollar area is to issue licenses and grant foreign exchange for only essential articles, when it can be proven that such goods are not available in the sterling area. This may mean not physically available or only at much higher prices, or the items available are not suitable to local conditions. These regulations follow the general lines and policy of the other sterling area countries. The principal reason for controls has been to restrict imports from hard currency areas to conserve dollar exchange.

All goods imported must secure import licenses. Import licenses are issued freely and dollar exchange granted on relatively few agriculture products. Licenses are not issued for items from dollar areas that are not included on a published list. Items are added to the list only after approval by a committee of representatives from Singapore, Penang and the Federation.

Goods from the dollar area for which import licenses are not issued may be imported via Hong Kong provided the local importer makes payment through his bank to Hong Kong in sterling area currency. The dollar area exporter must invoice such goods to a Hong Kong intermediary, who effects the Sterling-dollar exchange and forwards the goods to Malaya under a new bill of lading issued in Hong Kong. This operation adds an average of four to five percent to the cost of such items. The cost varies according to the size and type of shipment, and exchange rates. There are no quotas on such imports and apparently the only limitation is the dollar availability in Hong Kong.

Singapore and Penang were founded on the principle of free trade. Although these ports still consider themselves free ports, exchange controls, import and export licenses, emergency regulations and duties on intoxicating liquors, tobacco and petroleum prevent the unrestricted flow of goods. The Federation has Custom duties on some seventy items and grants preferential tariffs to the sterling area on about one-third of these items.

1/ From Despatch No. Agr-1 of July 20, 1955 by Glenn A. Ruggles, Agricultural Officer, American Consulate General, Singapore. Adaptation by Asia and Middle East Analysis Branch.

Malaya has no bilateral trade agreements with any country. Sugar and rice rationing has been abandoned and rice trade turned over to private traders. The government does maintain strategic stockpiles of certain imported foods as a defense measure.

Legislation

The import and export guides for Singapore and the Federation give a digest of the import and export regulation by commodities and by countries. These two guides are practically the same except the Federation has in addition a customs ordinance: The import licenses regulation and exchange control ordinance follow those of other sterling area countries.

In addition to the above orders the Department of Agriculture issues regulations on the imports of plants, animals, poultry and eggs. These regulations are for the prevention of the introduction of pests or diseases which are new to Malaya. These regulations (for imports for most countries) are rather liberal and usually require only a certificate of inspection and freedom from pest and diseases or Certificate of Health signed by a Competent Authority of the exporting country.

There is a prohibition on imports of living plant material from tropical Africa and of plants and seeds from the American tropics. This order is to prevent the introduction of diseases such as the Swollen Shoot disease of Cacao from Africa and the Leaf Blight of rubber from South America. Plants from the African and American Tropics may, in certain circumstances, be imported but only through the Department of Agriculture.

Authorities usually are very liberal on permits for imports of plants or seeds from the temperate area from well known and reliable seed dealers. No soil may be imported so plants, root cuttings or seedlings must be rooted in some material that has been sterilized. Copies of the Department of Agriculture's regulations are being sent under separate cover.

Malaya has pure food and drug laws similar to those in use in the United Kingdom and the United States. They enforce the normal inspection to determine if the foods and drugs are pure, free from materials that may be harmful to health, that they meet certain designated standards and to see that the label describes the product and contains no misleading information.

Exchange Controls

All transactions in foreign currencies or gold are subject to exchange control. Importers and exporters must effect their exchange transactions only with authorized banks in Malaya. The method of receiving payment in exchange for exports is subject to the approval of the Controller of Foreign Exchange. The banks are usually authorized to make payments for imports without specific approval of each transaction as long as the payments are in accordance with regulations.

The Federation and Singapore exchange control regulations and interpretations are almost identical. They are also in line with the other sterling area countries. The policy for trade in hard currency remains unchanged and plans are to continue this policy until the pound becomes freely convertible.

The dollar allocations to Malaya are only a small part of her dollar earnings. All dollar earnings of Malaya go into the sterling pool to be allocated to members of the sterling area. There has been some dissatisfaction over the fact that Malaya is permitted only a small part of her dollar earnings. This objection is particularly strong among the coconut oil mills where many have been forced to close down by lack of copra supplies due to the delay in allocating dollars for purchases of copra from the Philippines.

Import Licenses

The importation of all goods into Singapore and the Federation is prohibited except under import licenses. The licenses may be either a specific or a general (open general) license. All imports from dollar areas must have a specific import license for each lot or item.

Licenses are issued freely only on the following agricultural items from the dollar area: Apples, citrus fruits, oranges, fruit dried, fruit juice concentrates (for industrial purposes only), milk condensed sweetened only, rolled oats, wheat flour.

On Quota

Powdered milk licenses are issued to dollar areas only on 50% of the applicants volume of dollar imports in the base year of 1952.

The import/export guide states, "goods which are not detailed on the attached list are not licensed from hard currency countries unless an importer can advance adequate reasons to support his application." The guide also states licenses are not issued for any item, from the dollar area, not included on the published list.

Unless otherwise stated, no exceptions are made to individual importers for items not on the list. The items must be passed on by a committee and the decision published before a license can be issued. There has been some conflicting advice given on this point as the policy is vague concerning some items. However as far as agricultural products are concerned they appear to follow the above policy.

The guide lists some items largely machinery on which licenses are issued on the merits of each individual case. No agricultural items are included on this list.

Tariffs

Singapore and Penang levy custom duties only on petroleum, intoxicating liquors and tobacco. 1/ Import duties on tobacco and cigarettes cannot be considered excessive as American cigarettes and tobacco sell for about the same retail price in Singapore as in the U.S. 2/

Import licenses are not issued on tobacco and cigarettes from dollar areas, and the importer must pay the additional cost of importing through Hong Kong. There is a preferential tariff on tobacco of 5 to 8 percent less for British Commonwealth nations. For example, full duty in Singapore on cigarettes is M\$6.70 and the preferential tariff M\$6.20 per pound. 3/ However, the retail price of British and American cigarettes for comparable qualities are about the same in Singapore.

The Federation of Malaya maintains a rather extensive schedule of tariffs mainly for revenue purposes. The Federation also has a preferential tariff on many items for British Commonwealth nations. The preferential tariffs on agriculture items are as follows:

-
- 1/ A 15 percent ad valorem tax must be paid on automobiles not of British Commonwealth manufacture at the time of the first registration, but not by the importer or dealer.
 - 2/ One pack of American Cigarettes cost M\$0.70 to M\$0.75 or US\$0.23 to \$0.25.
 - 3/ M\$3.03 equals approximately US\$1.00

<u>Description</u>	<u>Rate of Duty</u>		<u>Import License issued dollar area</u>
	<u>Full Duty</u>	<u>Preferential Duty</u>	
Canned salmon, etc.	7½%	free	freely
Fruits, canned	7½%	"	not issued
Vegetables, canned	7½%	"	" "
Peanut oil per lb.	.04	"	" "
Butter, frozen or tinned per lb.	.04	"	" "
Margarine per lb.	.05	"	" "
Milk Condensed preserved)per 100 lbs.	M\$4.00	"	freely not issued
Peanuts per lb.	.0075	"	" "
Sugar " "	.07	.05	" "
Cigar & Snuff " "	11.00	10.00	" "
Cigarettes " "	10.50	10.00	
Unmanufactured Tobacco	7.60	7.40	" "

Export Controls

All exports from Malaya with the exception of transshipment goods on through bills of lading are subject to export licenses. Exports of certain strategic material are prohibited to North Korea, North Vietnam and China. Exports of such goods to Hong Kong can only be made when a certificate of essential supplies is furnished. Exports of a limited number of goods in short supply are restricted. These items are: Carbon black, round timber, constructional steel, nitrogenous fertilizers and petroleum.

Permits for the export of goods not included in the above lists of strategic materials or materials in short supply will normally be issued freely to any destination provided payments from non-sterling destinations are received in a manner prescribed by the exchange control authorities.

Singapore and Penang do not levy export taxes. However, the Federation levies export taxes on a large number of domestic commodities, including rubber and tin. The receipts from these taxes make up a large proportion of the Federation Government revenues. Export duties on agricultural exports from the Federation are as follows:

Copra	Five Percent ad Valorem
Palm oil	" " " "
Coconut oil	" " " "
Dessicated coconut	" " " "
Palm Kernels	" " " "
Palm Kernels oil	" " " "
Tapioca root or products	" " " "
Rubber - Complicated schedule of taxes based on rubber prices.	

Outlook for Trade with U.S.

Although Malaya is one of the largest dollar earners in the British Empire it will be difficult to expand trade with the United States. The principal difficulties are:

1. Empire preferential tariffs
2. Limited dollar allocation making it necessary to restrict imports
3. Higher shipping rates and longer shipping time
4. Preference for brand names already established in Malaya
5. The limited market and low purchasing power of the population.

A large number of the Malayan consumers cannot read English and have been accustomed to buying particular brands for many years. It would take an advertising and a trade promotion campaign to secure a worthwhile market for most American packaged goods in Malaya. Considering the limited market and unstable conditions most American firms probably would not consider this worthwhile.

Malaya is largely rural and the peoples' needs are very modest and purchasing power low. If Malaya starts on an industrial expansion program this would draw workers from rural areas and relieve the pressure on the land which would raise both rural and urban wages. This would increase the demand for what is now considered U.S. luxury products. This would include wheat and dairy products, fruits, oranges and all types of packaged and canned food products. High freight rates, and shipping time will make it very difficult for the U.S. to compete in bulk agriculture products such as grains and rice.

In a low value bulky product high freight rates would add considerably to the cost of the product. In a high value product freight costs would make up a smaller proportion of the total cost. However, because of the longer shipping time from the U.S. the importer would have his money tied up for longer periods and interest charges would be much higher than for purchases in nearby areas.



FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D. C.

FATP 26-55

August 10, 1955

DEC 23 1955
POLICY AND PROGRAMS WHICH TEND TO DETER UNITED STATES
TRADE IN AGRICULTURAL PRODUCTS IN THE UNION OF BURMA 1/

Summarized Conclusions

Under prevailing conditions affecting agricultural production and trade in Burma, including conditions occasioned by announced policies, it is unlikely (for some time at least) that the exportation of agricultural products from Burma will increase to any significant extent. The possibilities for increased importation of agricultural commodities, particularly those from the United States, are even more remote.

General Policies

Burma will not become a strong competitor in world markets for agricultural products for a long time to come, principally because of national policies which call for the following: (1) State marketing of agricultural commodities with the principal objective being the collection of governmental revenue; (2) The assembling, processing, and sale of agricultural products by State owned enterprises, again with emphasis on maximum financial returns to the State; (3) The deterioration or lack of improvement in quality of export products (particularly rice) because of strict limitations on margins of profit allowed to privately owned processing plants; (4) low ceilings on prices paid to producers, resulting from policies 1 and 2 above; and (5) attempts to expand production through collective farms, on most of which efforts are being made to introduce mechanized methods under conditions which do not admit of effective operations.

Burma's importations of agricultural commodities, particularly those from the United States, will undoubtedly be negligible in quantity and value for many years because of the following policies: (1) The large volume of sales (especially rice) on a barter basis, which practically eliminates trade with the United States; (2) efforts to make Burma self-sufficient with respect to agricultural commodities; (3) austere restrictions on the issuance of import licenses for the purpose of conserving limited earnings of foreign exchange; (4) a tendency to favor governmentally owned or controlled enterprises utilizing agricultural materials under policies which require a maximum utilization of domestically produced raw materials; and (5) the strongly implied intention of the Government of the Union of Burma eventually to rationalize all privately created enterprises, particularly those utilizing agricultural raw materials.

1/ From Despatch No. 28 dated July 21, 1955 by Graham S. Quate, Agricultural Attache, American Embassy, Rangoon, Burma. Adaptation by the Asia and Middle East Analysis Branch.

Customs Tariffs and Import Restrictions

Burmese customs duties on imported agricultural commodities are not especially high, with the possible exception of manufactured tobaccos (125% on cigars and smoking tobacco - 200% on cigarettes) and thus cannot be considered a deterrent to trade in this field. A few examples are given: foodstuffs 25 to 30%, with a few unimportant items at 40%; edible oils 15 to 30%; cereals and pulses other than rice 5%. Various agricultural raw materials, equipment and supplies are exempted from duty.

Importations of any kind of merchandise may be made only on the basis of import licenses and the issuance of these is severely restricted.

Security Problems

The report of the Economic and Social Board of the Government of the Union of Burma devotes a short section to the question of rural security and among other things, points out the following: "...it must be emphasized that until peace is fully restored throughout our land, we cannot push ahead with maximum speed in building our New Burma. We cannot bring crops to market from lands that lie in areas held by insurgents. ...So - we shall fight until peace dwells in the remotest corners and deepest jungles of our land. This is our first - our priority task."

Burma's Agricultural Program

Burma has an ambitious program designed to increase the production and exportation of agricultural commodities, and has fixed as its goal the increasing of agricultural production by 77 percent over 1951-52 levels by 1960. Nevertheless it is unlikely that exports will be greatly increased by that time for the following reasons:

Burma's program calls for "the restoration of prewar acreage through security measures" but, as the referenced report of the Economic and Social Board points out, this is a slow and costly process.

At the present time rice farmers in many districts refrain from cultivating lands which are at a distance from their home villages for fear of having the harvest taken from them or extra-governmental levies imposed upon them by insurgent bands. In prewar times extensive riceland areas were handled by operators living in temporary residences located near the land to be cultivated. This practice has for the most part been abandoned, a fact which largely accounts for Burma's failure to reach prewar rice acreage levels.

Burma's rice exports for 1955 will be around 1.6 million long tons and was about 1.5 million tons during 1954; but rather large quantities of old stocks are included in both figures. Although exports for 1953 were less than 1.0 million tons, the average for four years from 1949 through 1952 was about 1.25 million tons. Thus the increase in production since 1949 is not notable. Hence it seems reasonable to assume that Burma's annual rice exports for the next few years will not be much over 1.5 million tons.

Burma's industrial program calls for the establishment of a number of government owned and operated enterprises for the processing of agricultural products. The principal items in this program are: vegetable oils, including rice-bran oil; milk substitutes from soya beans; sugar; dairy products; fruit processing; cotton threads and fabrics; jute and jute products.

The Economic and Social Board report states: "This (the program) places major and initial responsibility on the Government. To provide overall supervision and coordination of the program (there has been) set up ... The Ministry of National Planning and the Economic and Social Board. ...The specific parts of the program (with reference to agriculture) will be carried out by... The Industrial Development Corporation, the Agricultural and Rural Development Corporation. ...Directly and through subsidiary Boards and Corporations, these (governmental) agencies will be responsible for building and operating new productive government enterprises..."

The report later states: "If economic growth is to permeate the whole life of the nation, then planned government investment must be matched by all sorts of large and small investments by private individuals." To date, the development of governmental enterprises has greatly exceeded the limited progress being made in the expansion and development of private enterprises.

Rice Marketing Policies

Under the marketing system used by the State Agricultural Marketing Board, millers are allowed a very narrow margin of profit; which policy has apparently resulted in a gradual deterioration of rice milling facilities and a lowering in quality of milling output.

Rice exports are under control of the State Agricultural Marketing Board and sales are principally on a government-to-government basis--in many cases on an open account arrangement under which goods are to be imported from the rice purchasing country in payment for the rice received.

Rice exported by private dealers must be bought from the SAMB, a requirement which gives the government a monopoly on the rice export trade.

The government buys rice for export from the mills at fixed prices which are unrelated to and much lower than the export price.

Receipts from rice exports constitute the principal source of governmental revenue. In post-war years, the economy of Burma has depended more on production and the export of rice than in the prewar period. Before the war the export value of rice accounted for less than half of the total value of exports, whereas in recent years rice exports have accounted for about three-fourths of the total value of exports. (From ECAFE Bulletin L187).

Burma's rice export policy has the double objective of providing government revenue from export profits and the placing of a ceiling on prices to the producer in order to insure cheap rice for non-farm domestic consumers. By paying fixed prices to millers the government has stabilized domestic prices at rather low levels.

The SAMB, acting through District Agencies, purchases paddy from the farmers. Paddy prices are fixed at levels which are not so low as to discourage production but which are low enough to permit a maximum profit to the government on its rice export transactions.

Millers are permitted to purchase paddy from the farmer, but when these millers offer export rice for sale to the SAMB they must produce a certificate proving that they have paid to the producer not less than the governmentally established price for paddy. (Reporting officers comment: In practice, the farmer in order to secure a ready sale with prompt payment, will permit the deduction of a discount from prices shown on the paddy sales certificate.)

The official price for paddy in July of this year was K 300. for 100 baskets of 46 pounds each delivered to mills in Rangoon, or K 285. per 100 baskets delivered to District Mills. At the official rate of exchange this is equivalent to approximately U. S \$1.37 per cwt. exmill Rangoon, or \$1.30 delivered to district mills. However, on foreign exchange markets the Kyat (K) is quoted at K 8.00 to US \$1.00, and on this basis the farmer receives the equivalent of $81\frac{1}{2}\phi$ or $77\frac{1}{2}\phi$ U. S. currency per hundred pounds.

Policies Respecting Commodities other than Rice

Local English language papers have recently been publishing releases which state that the Government will establish "collective farms" for the production of jute in an attempt to make the country self sufficient with respect to jute bags. The jute so produced will be processed in plants owned by the government.

Similar plans have been announced with respect to cotton and tobacco. Cotton is now being processed in government mills. Tobacco is being processed by three privately owned enterprises. The owners of these plants state that they anticipate the nationalization of the industry, but hope to retain a hand in the operational end of their enterprises.

Barter Trade

There is an apparent tendency on the part of the Burmese Government to export increasing quantities of rice under barter arrangements which provide that purchasing countries shall deliver various types of merchandise in payment for rice received. Some of the commodities to be received under these arrangements are of an agricultural nature, which must be resold by Burma on markets outside the country. Rubber received from Ceylon and that to be received from Indonesia under a recently concluded agreement falls in this category.

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FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D. C.

FATP 27-55

DEC 23 1955

August 10, 1955

U. S. DEPARTMENT OF AGRICULTURE
POLICY AND PROGRAMS WHICH TEND TO DETER U. S. TRADE
IN AGRICULTURAL PRODUCTS IN JAPAN 1/

Agricultural imports into Japan are subject to several types of restrictions. Undoubtedly the most important is the policy of exchange controls to conserve foreign exchange. Semiannually the Japanese Government estimates overall import requirements and allocates the amount of exchange which can be used for the importation of specific commodities. Imports may also be influenced indirectly by the workings of the economic development programs sponsored by the government. Because of the close exchange controls by the government, restrictive tariff schedules and bilateral trade agreements are not an important factor in regulating the total volume of agricultural imports.

Japan is a major trading nation of the world. Upwards of two-thirds of all Japanese merchandise imports consist of agricultural products, more than one-third of which come from the United States--the largest single supplier. And, on the other hand, Japan has ranked during each of the past three years as the leading foreign buyer of United States farm products. For these reasons the United States has a keen interest in the development of a sound and expanding economy in Japan. And any action taken by the Government of Japan to influence the direction or pace of economic development or otherwise to influence the market for agricultural commodities is of interest to the American farmer.

Exchange Controls

Foreign exchange control was first established in Japan in 1932. Since the War in the Pacific, such control has been necessary in order to conserve limited foreign exchange resources for the import of essential commodities. Under the authority of the Foreign Exchange and Foreign Trade Control Law, import budgets are drawn up which provide for the allocation of foreign exchange for specific commodities on a semiannual basis.

1/ Adapted by Asia and Middle East Analysis Branch from Despatch No. AGR-3 of July 25, 1955 by W. D. Termohlen, Agricultural Attache, American Embassy, Tokyo.

Since the 1954 Japanese Fiscal year (April 1954-March 1955), the Government has adopted a so-called "global" system. This means that the Government will not announce or designate any specific purchase source, but will allocate foreign exchange, taking into consideration the prices and quality prevailing at the time of purchase.

Following announcement of the foreign exchange budget, licenses may be issued to importers in accordance with the announcement. In the case of certain commodities, only designated importers are eligible to obtain licenses. Importers of the staple foods (rice, wheat, and barley) are designated by the Food Agency of the Ministry of Agriculture and Forestry. Imports of these foods, which under the Food Control Law must be approved by this Ministry, are sold to the Food Agency under contract with the traders.

Japan has bilateral trade agreements with many of the trading partners. These provide for trade in numerous commodities, including food and other agricultural products. The objectives may be to assure a supply of required imports or to assure markets for Japanese exports or both. In any event these bilateral agreements probably do not much influence the total trade in individual commodities since they must be carried out within the framework of the overall exchange budget. It is possible that through such agreements Japan becomes committed to buy more of particular commodities from trade agreement countries than would otherwise be purchased, thus reducing the market for nonagreement countries such as the United States. It would be difficult, however, to prove this categorically.

The United States sales of wheat to Japan are not restricted by the International Wheat Agreement since this agreement does not specify sources. Furthermore, about half of the Japanese wheat imports are provided outside IWA, and the United States is free to compete as a supplier in this remaining market.

Tariffs

Japanese tariffs are relatively low compared to those of many other countries of the world. Generally speaking, they provide for lower duties on raw or unprocessed materials than on semiprocessed or finished goods.

The statutory rates on the major food items are 15 percent for rice, 20 percent for wheat, 25 percent for wheat flour, 10 percent for barley, 10 percent for soybeans, and 25 percent for dried milk.

Since the end of World War II the tariff on rice, wheat, and barley has been exempted on a semiannual basis under Cabinet order, and these goods have entered duty free. The import tariff for wheat flour is exempted only when imported for manufacturing monosodium glutamate (Ajinomoto) for export purposes. The duties have also been exempted on soybeans, on dried milk for the school lunch program, and for use by certain types of public institutions, and on certain other items such as cottonseed oil and tomato paste when these are to be used in packing fish for export. Cotton is duty free; and although leaf tobacco carries a rate of 355 percent, this is generally not applied since practically all tobacco is imported by the Monopoly Corporation. In brief, the Japanese tariff schedule provides relatively low rates of duty on most agricultural commodities, but provides no special advantage to particular sources for individual commodities.

Economic Development Programs

Certain programs of the Japanese Government provide for encouragement of agricultural production. The short-run objective is to conserve foreign exchange; the long-run objective is to minimize the dependence of the country upon overseas sources for agricultural products--especially foodstuffs. The effects of such programs upon foreign trade are likely to be indirect. Inducements to farmers may involve some degree of import restriction which is effected through exchange control. But it is impossible to determine to what extent such control is designated to encourage domestic production or to what extent it is intended to serve as a national belt-tightener in the face of limited foreign exchange. In any event, such restrictions affect the total market and are not discriminatory as to source.

The Japanese Government is presently encouraging the synthetic and chemical fiber industries in order to conserve foreign exchange requirements for cotton imports. This affects the demand for cotton, but does not discriminate against particular sources.

Japan recently concluded an agreement with the United States providing for the purchase of stated quantities of rice, wheat, barley, cotton, and tobacco under the terms of Public Law 480. These purchases are designed to provide for increased consumption in Japan and it is intended that they shall not interfere with the normal sales of these commodities by the United States or other supplier countries. This agreement differs from the previously mentioned bilateral agreements in that payment is to be made in Japanese currency, and therefore no foreign exchange allocation is required.

Outlook

Through the years to come American farmers are likely to find a large and steady market in Japan. Japanese agriculture is well developed, but land resources are exceedingly limited and population, now 89 million, is increasing by 1.2 million annually. Japan will continue to require large imports of basic farm products, particularly foodstuffs. Except for processed goods, these are not likely to encounter serious restrictions. Imports of processed goods may be somewhat limited, either because they are considered to be luxuries or because the Japanese wish to employ their own labor and capital in processing. For example, Japan prefers to import wheat rather than flour in order to utilize existing milling capacity and to provide employment for Japanese labor. Imports of raw cotton will probably continue to receive favorable treatment so as not to interfere with the competitive status of Japanese textile exports in the world market.

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FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D. C.

FATP 28-55

DEC 23 1955

August 22, 1955

Brazilian Policies and Programs that Affect U.S. Trade in Agricultural Products 1/

Trade in agricultural products between Brazil and the U.S. has failed in recent years to reach its potential volume owing in part to policies and programs of the Brazilian government. These policies and programs have been designed to deal with problems resulting from an excess of foreign currency expenditures over receipts. For this reason the government has limited imports, particularly from dollar areas, and to some extent has hampered sales of its goods abroad by claiming a share of the currencies derived from exports.

Brazil's balance of payments problem is rooted in a nationalistic approach to the management of economic affairs, involving on the one hand a rapid industrialization and on the other a retarded development of certain domestic resources, particularly of petroleum. Since Brazil is an agricultural country the cost of supporting these policies rests chiefly on the producers and consumers of agricultural products. The chances are poor for increasing trade between Brazil and the U.S. in agricultural products unless there is a prior correction of the attitudes and policies underlying the balance of payments problem.

Even at best, the Brazilian market potential as an outlet for U.S. agricultural products is limited by the variety of goods in which the country is self-sufficient. During 1954, only 15 percent of the total value of Brazilian imports were agricultural products. Domestic output meets all requirements for corn, rice, beans, and tropical crops (such as mandioca) substituting for temperate-climate foods. Except for interruptions owing to temporary factors such as inadequate transport, or unfavorable weather, output is adequate for domestic needs in meats, poultry, eggs, and most fats and oils. The country is an exporter of cotton, sugar, tobacco, and citrus fruits, as well as coffee, cacao, and bananas, its tropical specialties. Import requirements for agricultural products under ordinary circumstances are wheat, dairy products, deciduous fruits, and specialty items such as breeding animals, hatching eggs, seeds, cigar wrapper, and canned foods.

1/ Prepared for publication by Latin American Analysis Division from Embassy Report #1579 of June 2, 1955 written by C. A. Boonstra.

Note: For background information on Brazil policies, see: Foreign Agriculture, April 1949, May 1949, and January 1954; and Foreign Agriculture Circular FATP 6-54 of August 5, 1954.

Import Policies Affecting U.S. Trade

Brazil's present system of exchange control places all imported products in five categories and allocates to each category a portion of the foreign currencies to be made available for commercial imports. This foreign exchange is auctioned to the highest bidders who then can obtain the necessary import permits. Since the exchange allocations are largest for the relatively few goods classed in category one as essentials, the auction prices are lowest for such items and go progressively higher up to a maximum in category five, which contains the non-essential or luxury goods.

Imports made by government agencies are provided foreign exchange by direct allocation at specified premiums over the official rate. As a result the government agencies are able to import on terms far more favorable than those available to the commercial trade. Although wheat is the only commodity on which the government maintains an import monopoly, there are government agencies which occasionally import other products and which in doing so can undersell commercial importers by large margins.

In general, the listing of products in the import categories, and the allocation of foreign exchange, discriminates against the importation of agricultural products for consumption on grounds of their lesser essentiality. Purchase of agricultural products needed to increase local production--i.e., breeding stock, seeds, etc.--is given, however, a preferred status.

Purchases of agricultural products from the U.S. suffer not only from the import classification of such goods but also from the higher auction prices of dollars compared to those for other currencies. In addition Brazil has a network of bilateral trade agreements which in some cases specify the import of agricultural products on a preferential basis.

The specific duties levied in the existing tariff structure are of little importance in limiting imports, because of the depreciation of the cruzeiro in recent years and increase in the domestic price level. Proposals exist, however, to incorporate in a tariff law the present discriminatory features of the exchange control system and this potentially could be most damaging to U.S. markets.

Wheat. The Brazilian government through the Bank of Brazil is the sole importer of wheat, having assumed this role in order to conduct bulk buying and to distribute among mills the chronically short supply. Wheat purchases to the maximum extent possible are made in non-dollar sources, with particular emphasis on Argentina, the neighboring and most accessible source of supply. In recent years a trade agreement providing for the exchange of Brazilian products for Argentine wheat has been renewed annually. In addition, Brazil has entered similar agreements with Uruguay providing for purchase of such exportable wheat as the latter may have.

The Argentine-Uruguayan trade agreements provide Brazil with most of its requirements, amounting this year to 1.5 million tons of the 2.0 million which Brazil would like to import. Efforts are being made to obtain the balance also

without use of dollars. One possibility is purchase of wheat in other clearing currencies, such as, for example, the purchases last year of Russian wheat in Finnish clearing dollars. Currently this appears impossible but availabilities in clearing dollars may improve after harvest of the 1955 northern hemisphere crops. Another possibility is the purchase of U.S. wheat in cruzeiros under terms of Public Law 480.

The Bank of Brazil, in allocating clearing dollars or other currencies for import of wheat, provides them at the highly preferential rate of Cr\$25.82 per dollar. The free market rate on dollars, in comparison, is approximately Cr\$80. Purchase of wheat in free dollars is considered only a last resort. If such purchases are made, the basis probably would be competitive tenders by any selling country plus a request for medium-term financing.

At present Brazil imports only a little wheat flour, consisting of quantities from Argentina and Uruguay which those countries insist on including within their bilateral trade agreements. The policy of the country is to eliminate all wheat flour imports on grounds that the domestic milling industry now works only at half capacity, and that Brazil needs urgently the milling by-products for livestock feeding.

For the long pull, the U.S. market for wheat may be promoted by easier availability of foreign exchange and the consequent greater convertibility of currencies, thus making Brazil less dependent on bilateral trading with Argentina. Possibilities then would be improved also for shifting wheat importation from the government to private trade, offering a better opportunity for competitive promotion of U.S. sales.

Dairy Products. Demand for dairy products is increasing more rapidly than can be satisfied by the domestic industry and this would normally provide an import opportunity for powdered milk, butter, and cheese. The latter two products, however, are classed by the Brazilian government as luxury products and accordingly the cost of foreign exchange for commercial importation is too high to permit their purchase. From time to time the government has considered the importation of certain quantities at a preferential rate of exchange but so far nothing has materialized.

Commercial imports of powdered milk are possible owing to the placement of this product in one of the more essential exchange categories. In buying exchange, however, the importers can purchase European currencies more cheaply than U.S. dollars and this results in the purchase of powdered milk largely in Denmark and Holland.

Promotion of U.S. dairy product sales in Brazil would require either the provision by the Brazilian government of more dollar exchange at lower prices, or sales for cruzeiros under PL 480 without use of dollars. Not only is this made difficult by the existing financial difficulties and the classification of butter and cheese as luxury goods, but also there exists in Brazil a strong pressure by domestic dairy industry against imports.

Deciduous Fruits. Brazilian production of deciduous fruits is negligible and demand is strong for the imported products, both fresh and dried. By means of a bilateral trade agreement and an exchange rate preference the Brazilian government is confining almost all of its imports to Argentine fruit. Fruit from the U.S. is placed in the "luxury" category where cost of exchange virtually prohibits its purchase. Entry of U.S. fruit could be eased only by a government decision to provide more exchange for the purpose, or by enabling sales without use of dollars under PL 480.

Specialty Items. In present circumstances the U.S. agricultural products which can best be promoted in Brazil are those not available from other sources and those which are classed by the exchange control system in the more essential categories. Chief among these are livestock for breeding, hatching eggs, baby chicks, and seeds. Occasionally there are opportunities for placing goods such as cigar wrapper, canned foods, and items in temporary short supply. Last year, for example, there was a shortage of lard and the government imported small quantities at a preferential rate. U.S. problems in obtaining these specialty sales are almost exclusively those of price and dollar exchange availability. A definite preference for United States products exists if the exchange problem can be overcome.

Export Policies Affecting U.S. Trade

Brazil is the largest supplier to the U.S. of coffee, and furnishes also a number of other agricultural products of which the more important are cacao, vegetable waxes, Brazil nuts, and castorbeans. It competes with the U.S. for foreign markets principally in cotton, and to a moderate extent in citrus fruit and tobacco. In the total value of 1954 exports, agricultural products accounted for 94 percent, indicating the importance to the country of maintaining its agricultural markets abroad.

The most important aspect of Brazilian export policy, as in the case of imports, is the exchange control system. The government through the Bank of Brazil is the sole legal buyer of foreign currencies derived from exports. To obtain the funds needed for meeting its obligations the government buys exchange bills from exporters at cruzeiro prices lower than those at which the exchange is sold to importers or at which it is traded in the free market. The obvious economic effect is to handicap Brazil's position in export markets, reducing thereby its foreign currency receipts and its ability to import goods from other countries.

In an endeavor to ease the handicap on exports the government at frequent intervals has been modifying the controls, usually through adjusting upward the exchange rate for one or another product. When this occurs for a product exported to the U.S. it is considered generally that the move is favorable to U.S. foreign trade, through its influence on volume of exports and on Brazil's capacity to buy. In cases where upward adjustments are made on competing products, however, protests frequently are forthcoming from U.S. traders concerning Brazil's alleged subsidization of exports.

Recently the cotton export rate was revised upward from Cr\$37.06 per dollar to Cr\$43.06, an increase of 16 percent. Inevitably this improved Brazil's sales position relative to U.S. cotton but even so the Cr\$43.06 rate is less than the Cr\$50.06 applied to certain other products, and is far below the free market or import rates. On those grounds the Brazilian authorities regard an increase in rates only as a lessening of Brazil's self-imposed handicap on exports, and not an incentive or subsidy program.

The bilateral trade agreements are particularly important in retaining market outlets for Brazilian cotton. Currently most sales are made under such arrangements.

Outlook

U.S. products as a general rule are preferred by Brazilian buyers and consequently the volume of sales depends more on dollar availabilities than on competition and sales promotion. The imbalance in dollar trade limits not only U.S. sales to Brazil but tends also to encourage bilateral trade policies on the part of Brazil. Future Brazilian influence on U.S. agricultural trade thus is related directly to the larger problem of dollar availability and convertibility of currencies.

Table 1. Value Brazil's Agricultural Exports & Imports, 1953 and 1954

<u>Exports</u>			<u>Imports</u>		
	<u>1/</u>	<u>1953</u> <u>Cr\$</u> Million		<u>1/</u>	<u>1953</u> <u>Cr\$</u> Million
		<u>1954</u>			<u>1954</u>
Coffee		21,696	Wheat & flour		3,491
Cotton		2,406	Fruit		684
Cacao products		1,855	Other agriculture		1,365
Other agriculture		3,600	Total agriculture		5,540
Total agriculture		29,757			4,686
Non-Agriculture		2,290	Non-Agriculture		19,612
Total Exports		32,047	Total Imports		25,152
		26,998			26,057
		1,678			30,743

1/ Conversion to dollar equivalent difficult because of differing exchange rates for various products imported and exported. However, exports for 1953 and 1954 converted at the official exchange rate amounted to 1539.3 and 1561.8 millions of dollars respectively. Total imports for 1953 and 1954 were 1319.9 and 1633.5 respectively.

Table 2. Principal U.S. Agricultural Exports to Brazil
(Millionsdollars)

	<u>1952</u>	<u>1953</u>	<u>1954</u>
Wheat and flour	94.7	11.6	14.5
Dairy products	1.2	.7	.9
Barley malt	1.6	.9	.4
Fruits	1.7	.7	.5
Hops	1.0	1.3	1.4

Table 3. Principal Agricultural Imports into U.S. from Brazil
(Million dollars)

	<u>1952</u>	<u>1953</u>	<u>1954</u>
Coffee	670.7	627.9	544.5
Cacao	26.9	36.8	59.9
Carnauba wax	13.2	13.0	13.7
Castor oil	11.1	9.1	3.1
Sisal and Henequen	8.4	2.2	2.7

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FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D. C.

FATP-29-55

August 24, 1955

POLICY AND PROGRAMS WHICH TEND TO DETER U. S. TRADE IN AGRICULTURAL PRODUCTS IN PAKISTAN

Historically, Pakistan has not been an importer of agricultural products. In fact, the area that is now Pakistan was once a surplus producer of food and was called the breadbasket of the Indian subcontinent. Over the years, however, average crop yields have declined. And population is growing at a faster rate than that at which new land is being brought into cultivation. As a result, Pakistan's ability to export food crops has gradually diminished. Since 1947, when Pakistan became an independent country, substantial food imports have been required in each of four years. In view of the prospective population increase, continuing imports may be required unless agricultural production can be greatly expanded over the years ahead. Thus the United States has an interest in policies of Pakistan regarding agricultural production and trade.

Exchange Control

The Imports and Exports (Control) Act of 1950, is the basic legislation to determine the commercial policy of Pakistan, whereby the government is also empowered to regulate and correct business reactions in relation to foreign trade.

The import policy of Pakistan is based on the economic needs of the country, taking into consideration the foreign exchange resources, industrial requirements, and with respect to purchases from the United States, the availability of dollar exchange. Upwards of 80 percent of Pakistan's foreign exchange earnings are derived from the export of jute and cotton. Since the world prices of these primary products are subject to considerable fluctuation, foreign exchange earnings are likewise variable. Foreign exchange reserves suffered a serious drain in 1952 and 1953 primarily as a result of price declines for export commodities without immediate accompanying controls on imports.

The Government has tended to curtail imports of consumer goods, including agricultural products, and to emphasize the country's industrial development needs. This policy is being vigorously followed. Capital goods have continued to enter even at times when serious shortages existed in basic agricultural products.

All imports into Pakistan are subject to control by the Central Government, which issues specific licenses giving the value and/or quantity of the designated commodity, and the import source. Ordinarily, directional control of imports is exercised by the Government of Pakistan in favor of sterling and soft currency imports. In other words, it has been the government's policy to permit the importation of a greater number of commodities from non-dollar countries than from dollar countries (United States, Canada, Philippines, and most of North, Central and South America). However, mainly as a result of a substantial increase in United States economic aid, much of it in the form of commodities including agricultural products, the government has found it possible to reduce this distinction under the current import policy and all the licenses now being issued are valid for all countries of the world except those made exclusively valid for treaty countries.

During the past years Pakistan has concluded a series of trade agreements with other countries and will in all probability continue to do so in the future. It deserves attention, however, that the quantities specified in the trade agreements have implied no firm commitment on the part of either party to import quantities specified. They have merely meant that the importing countries would stand prepared to grant import licenses or quotas to the traders for importing the specified goods up to the specified maximum. If the traders did not import the whole quantity specified in the trade agreements, it is no concern of the contracting governments.

Tariffs

Most of Pakistan's import duties are levied on an ad valorem basis. Pakistan also inherited the preferential system established by the Ottawa Trade Agreement of 1932 and later modified by the 1939 Indo-British Trade Agreement. Under the Pakistan-United Kingdom Trade Agreement of 1951, however, preferences on imports from the United Kingdom were abolished or reduced on a large number of items. Currently, preferential rates are applicable to 41 items from the United Kingdom, 68 from India, and 38 from Ceylon or a British colony. The Pakistan Tariff Guide currently lists 592 items of which 490 are dutiable and 102 are duty-free.

Dried skimmed milk, tallow, and wheat and wheat flour currently are duty-free. Rates on other agricultural items are at moderate levels, but in several instances the United States is at a disadvantage because of the preferences.

Attempts at Self-Sufficiency

Pakistan has various programs designed to promote agricultural development. These include projects intended to increase production of both food crops and export crops. Whether the effort is great enough and whether the pace is rapid enough, in view of population increase, remains to be seen.

Other Considerations

Since Pakistan is a new country, her business experience in international trade will take time to mature. For historical reasons, her experience in actual handling of international trade has been largely confined to the United Kingdom, the Commonwealth countries, and continental Europe. Traders are not well acquainted with United States practices, currency, weights and measures, and terminology. Nor are they familiar with the grades and standards of United States agricultural products. To overcome these difficulties there is need for patient education and the experience that comes with time.

The economy of Pakistan is basically agricultural. Her major industries, now in various stages of development, are directly related to agriculture. It is difficult for some of the Pakistanis to realize that an agricultural country may need to import agricultural products. For example, Pakistan is a net exporter of cotton. However, the fact is that all types of cotton grown in Pakistan are medium (and short) staples capable of producing coarse yarn and cloth. Foreign buyers use this cotton to mix with finer varieties in their milling operations. The textile mills of Pakistan are equipped with modern machinery capable of producing the finer constructions of textiles if the fine varieties of raw cotton were available. But imports of such cotton have been restricted by the Government. It is difficult for some Pakistanis to realize that a major cotton producing country such as Pakistan should need to import cotton. There are other examples of such psychological barriers to trade. These are temporary factors which will require technical education and sales promotion to overcome.

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FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D. C.

FATP-30-55

August 24, 1955

POLICIES AND PROGRAMS THAT TEND TO DETER U. S. TRADE IN AGRICULTURAL PRODUCTS IN THE PHILIPPINES

Imports into the Philippines are subject to various controls deemed necessary to support the program for developing industry and making the country self-sufficient in food production. No doubt the system of exchange control is most direct and most restrictive. Through this mechanism imports can be limited as to commodity and to some extent as to source. The tariff schedule also provides some protection to Philippine interests. At present it is favorable to trade with the United States; but such preferences are scheduled to be gradually eliminated over the next 20 years. Governmental programs designed to aid the development of the economy are perhaps less direct in their effect upon trade.

Philippine imports of agricultural commodities from the United States in 1954 were 15 percent below 1953. At the same time, such imports from all sources increased 4 percent. The United States continued to be the major supplier of farm products, but its share of the Philippine market fell from 74 percent of the total in 1953 to 60 percent in 1954. It is impossible to determine to what extent the weakening in the supplier position of the United States was caused by increased competition from other countries and to what extent it resulted from the operation of trade restrictions imposed by the Philippine Government.

EXCHANGE CONTROLS

One of the greatest deterrents to trade in agricultural products in the Philippines are the exchange controls administered by the Monetary Board of the Central Bank of the Philippines. These controls are used to implement the government's policy of restricting imports to commodities it considers most essential, which include products that assist in the industrialization of the country, raw materials not produced in the Philippines and needed by an "essential" industry, and consumer goods of a "non-luxury" character. Exchange controls also are used to protect domestic producers by reducing allocations of foreign exchange for items which compete with those produced in the Philippines. Exchange controls have not been 100 percent effective in keeping out "non-essential" commodities. There have been substantial "No dollar imports", the dollars being obtained through sources other than the Central Bank.

The Central Bank by virtue of its control over the country's currency, credit and foreign exchange and its status as a "bankers' bank" and the fiscal agent of the Government, is the greatest single factor influencing the conduct and direction of Philippine foreign trade. Its policy on the one hand of restricting loans for financing "non-essential" imports and on the other of making abundant credit available for the production and importation of "essential" capital goods, raw materials and productive activities also has a direct impact on U. S. exports of agricultural products to the Philippines.

Central Bank reserves fell from 296 million as of January 1, 1954 to 250 million on July 1, 1955. This decline has led to a continuing review of the classification of various commodities and more recently to an examination of "no-dollar" imports and the introduction of legislation into the special session of the Philippine Congress aimed at their elimination. There also is underway a drive to reduce smuggling of banned items, overvaluation of imports and undervaluation of exports.

TARIFFS

The present Philippine Tariff Law is the 1909 U. S. Tariff Act (as frequently amended) passed by the United States Congress primarily for the purpose of raising revenue. This Act established free trade between the United States and the Philippines. The Philippine Tariff Commission, created in 1953, recently submitted its recommendations for the revision of the Philippine tariff system. These recommendations will be the subject of intensive analysis and discussion by the business community as well as the Philippine Congress and executive agencies in the next year. These could have a serious impact on our future trade with the Philippines.

The Commission had recommended low or medium rates of duty on "essential" consumer goods which are not produced locally in order to raise the standard of living, (agricultural examples: milk products and corn beef). To promote industrialization it recommends exemption or low rates on raw materials and capital goods which are not available locally (examples: industrial machinery, raw cotton, hops and malt, semi-finished articles). It has recommended medium and high rates for products competing with locally produced articles, (examples: dried ham, sugar confectionaries, whole peanuts and coconuts). High rates of duty are recommended (to conserve foreign exchange) for luxuries and non-essentials such as toilet preparations, jewelries, etc. The imposition of duties that will yield the maximum amount of government revenue is proposed on cigarettes and cigars and other tobacco products, wines and liquors, and gasoline.

THE LAUREL-LANGLEY AGREEMENT

The revised U. S.-Philippine Trade Agreement, if and when it goes into effect, will affect U. S. exports to the Philippines because of the accelerated rate at which Philippine tariffs may be applied to imports from the United States under the Agreement and because of the limited protection which Article III of the Agreement provides against the imposition of quotas.

As indicated in the section on tariffs, the duty rates themselves are currently in the process of revision. If, as is expected, the widespread protectionist sentiment in the Philippines is reflected in the new rates, greater restrictions will likely be placed on the import of agricultural products the output of which can be expanded in the Philippines. However, the number of such products is probably small, most products currently imported are not produced in the Philippines in significant volume. Of course, the gradual elimination of the United States preference which is provided for in the Laurel-Langley agreement will lead to increased competition of goods from other countries in the Philippine market. This may be a more serious threat to United States exports than possible increases in Philippine production.

The current special session of the Philippine Congress is planning to consider legislation made necessary by the Laurel-Langley Agreement, particularly the imposition of a special import tax to take the place of the 17 percent exchange tax. The following commodities of interest to agriculture currently are exempted from the 17% exchange tax: Canned milk, Canned beef, Cattle, Canned fish, Cocoa beans, Malt, Stabilizer and flavors, Agricultural machinery.

There is some question as to whether or not any commodities may legally be exempted from the new tax. The imposition of the tax in the above items would have a tendency to discourage their importation because of the price increases that would ensue.

BARTER AGREEMENTS

The Philippine barter agreement with Japan which went into effect on July 1, 1950 was re-extended in 1954 to September 30, 1955. In the first eleven months of 1954 the Philippines exported goods valued at \$182.2 million and imported \$106.3 under this Agreement. Philippine exports consisted largely of logs and lumber, abaca, ramie, kapok and rattan. Philippine imports from Japan were non-agricultural, mostly fish, cement, machinery and tires.

The Office of Economic Coordination (OEC) has lately authorized government-owned or controlled corporations to barter any of their exportable commodities or by-products for rice. This step was taken due to existing tight supply of rice as a result of a decreased production in the present crop.

PRODUCTION POLICY

During 1954 the Magsaysay administration launched a five-year economic development program designed to provide jobs, increase production and the level of living, and "to pave the way for the attainment of an independent economy." The Program will be revised yearly. Great emphasis is placed upon agricultural production. Plans call for the expansion of crop acreage, increased irrigation, promotion of mechanization in the production of rice and sugar cane, and expanded uses of fertilizers, improved seeds, and measures for the control of pests and diseases. Goals established under this program call for crop production in 1959 at 66 percent above that in 1954. Plans also call for the expansion of livestock production.

Capital required to implement these programs has been estimated at \$400 million from 1955 to 1959. Achievement of the established goals will depend in large measure upon the ability of the country to finance the Five-Year Plan. In any event the market for United States agricultural products will probably not be seriously affected because the commodities imported from the United States do not figure significantly in the Plan.

POLICY ON IMPORTS, BY COMMODITY

Livestock and Meat Products

Government efforts to increase supplies of meat and dairy products and animal power have resulted in a sharp rise in cattle and buffalo imports for breeding purposes. Imports of slaughter cattle were also encouraged by the Government by classifying livestock for food purposes as a highly essential item.

The Government ban on carabao slaughter brought about a shortage in the supply of meat and this led to a sharp rise in imports of meat and meat products in 1954. Beef and veal (fresh and canned) constituted about 59 percent of total meat and meat product imports in 1954. Sausages and meat paste and spread constituted about 39 percent of the total. Beef and veal, whether fresh, cured or canned, are classified as essential consumer commodities by the Central Bank in allocating dollars for the payment of imports.

Dairy Products

Production of milk and milk products in the Philippines is so negligible that the country is almost entirely dependent upon imports. In 1954, evaporated and condensed canned milk, powdered and dry skimmed milk, and sterilized natural milk were classified under the highly essential commodity group and these commodities constituted 67 percent of total dairy product imports in 1954. On February 7, 1955 these items were decontrolled by the Government and it is expected that imports will increase in 1955. Butter and cheese are classified under the non-essential consumer group, while eggs in the shell and honey are unclassified and therefore banned.

While the United States supplied the major portion of the Philippine milk requirements in 1954, it lost its condensed milk market to the Netherlands, which undersells United States condensed milk in the retail and wholesale market by about 6 cents per tin.

In order to give impetus to the dairy improvement program, a 10-year cooperative breeding and informational project has been set up by the Bureau of Animal Industry, the Bureau of Agricultural Extension, and the Central Experiment Station of the U.P. College of Agriculture at Los Banos. The agreement, implementing this program was signed by the heads of these three agencies on February 5, 1955. The main objectives are to increase the quality and quantity of milk, and to improve the quality of dairy animals.

Cereals

Even though there are no flour mills in the Philippines, the importation of wheat is restricted. Past plans to build mills have not been carried out because the projected cost of producing flour was too high to permit competition with flour from the United States and Canada.

Import of wheat flour, which was classified as a highly essential commodity and exempted from the 17 percent exchange tax through 1954, increased by about 8 percent in value in 1954 over 1953. Central Bank statistics showed imports at about 182,000 metric tons in 1954. Wheat flour imports were decontrolled on February 18, 1955 and it is expected that 1955 imports will increase further. For revenue purposes, the Government imposed the 17 percent exchange tax on wheat flour imports effective June 18, 1955.

Unless there is an acute shortage in the domestic production of corn, it cannot be imported as it is classified as non-essential by the Central Bank.

To support the local starch industry, the Government banned the importation of starches effective July 1, 1955. This measure was taken to protect the local corn and cassava starch manufacturers whose production has increased sharply during the past three years.

Rice

During the last half of 1954 a total of 42,700 metric tons of milled rice was imported from Pakistan and Thailand. There were no imports in the first half of the year. While domestic production of rice in 1953-54 was sufficient to fill local consumption requirements, rice was imported in view of the expected shortage of the 1954-55 crop. This step was taken by the National Rice and Corn Corporation (NARIC) to insure the supply of rice and stabilize rice prices. For 1955 a total of 100,000 metric tons has been approved by the Philippine cabinet for importation. Imports of rice will be undertaken on a direct purchase basis and by barter. A barter deal was signed on June 10, 1955 by the NARIC and the Philippine Sugar Institute providing for the import of 10,000 metric tons of Thailand rice in exchange for 10,000 tons of Philippine sugar. Arrangement is now being finalized by the Secretary of the Office of Economic Coordination on another deal to barter Philippine coal for Bangkok rice.

Fruits and Vegetables

All fruits and vegetables were listed either in the non-essential consumer category or were on the unclassified list (banned items). However, there probably were some "no-dollar" imports of "unlisted" items.

Animal Feeds

Due to the stepped-up Government program of increasing the livestock and poultry population, imports of animal feeds in 1954 showed a significant increase over 1953. Except hay and fodder, all animal feed items showed marked increases. Imports of hay and fodder are banned while bran, pollard, sharps and other by-products of cereal preparations, whey and bean oil cake and meal are classified as essential producer commodities. While other oil cakes and meals, and other animal foods are classified as non-essential producer commodities, dollar allocations for payment of imports can be obtained for these items from the Central Bank.

Tobacco

Republic act No. 1194 limits the importation of foreign tobacco into the Philippines to the quantity needed to make up for the deficiency in local production. As a result of the limiting of import licenses under this law, the value of leaf tobacco imports decreased from \$12 million in 1953 to \$8 million in 1954. Negotiations are now in progress for the sale of a substantial quantity of tobacco under PL 480. If this is successful, imports could rise substantially this fiscal year and even if no sale is made under PL 480, imports could be greater than in 1954 because of the low level of stocks of United States tobacco and of the desirability of increasing these stocks so that Philippine produced "Virginia" tobacco could be properly aged.

P. L. 1194 established a scale of support prices for "Virginia" tobacco which has led to a startling increase in production during the last year. The 1954 crop totalled only about 4.5 million pounds but the 1955 crop is currently estimated at about 16 million pounds. The latter figure, however, includes perhaps three million pounds of low grade "Virginia" tobacco and native sun-covered tobacco. Trade estimates of 1956 production generally run from 25 to 30 million pounds or over.

Congressional sponsors of PL 1194, and a few officials of the Philippine Government are of the opinion that the Philippines can become practically self-sufficient in Virginia tobacco. However, the cigarette manufacturers and many other officials are convinced that substantial quantities of United States flue-cured tobacco will have to be imported to improve the flavor and aroma of Philippine cigarettes. The proportion of domestic tobacco which can be used is estimated variously at from 20 percent in the higher grade cigarettes to possibly as much as 75 percent in low grade cigarettes.

Imports of United States tobacco may be reduced sharply in the next few years as a result of support and protection given to the growers by the Philippine Government.

Fats and Oils

The importation of oilseeds and oil-bearing materials which compete with locally produced items of the same kind is banned when production is sufficient to supply local requirements. Peanuts and copra fall into this category. Although domestic production of soybeans and castor beans is insignificant, the Government banned these items to encourage production. Establishment of bean-oil processing plants has increased the demand for soybeans and castor beans.

The Monetary Board of the Central Bank approved the petition of local manufacturers to ban the importation of hydrogenated fats and oils effective July 1, 1955. Soybean oil imports were also banned as of that date.



FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D. C.

FATP 31-55

September 6, 1955

DEC 23 1955

POLICY AND PROGRAMS WHICH TEND TO DETER UNITED STATES
TRADE IN AGRICULTURAL PRODUCTS IN THAILAND 1/

Thailand is not an important market for U. S. farm products. Policies of the Thai Government with respect to foreign trade are of interest primarily because of the position of that country as a major rice exporter.

Both exports and imports are tightly controlled by the Government. All imports must be licensed. Some imports are subject to specific quotas. And some commodities may not be imported at all.

Import Controls

Import licenses must be secured from designated authorities to cover the importation of all merchandise brought into Thailand. Import regulations are promulgated under authority of the Thai Royal Decree No. 9 of 1953. Under import regulations of Thailand, foreign merchandise is placed in three categories: (1) Essential goods for which import licenses are issued without limitations as to quantity; (2) Semi-essential goods for which limited import quotas are fixed by the Ministry of Economic Affairs; and (3) Non-essential or luxury items for which import licenses are not issued.

Licenses are freely issued for the import of commodities designated in Category No. 1. Agricultural commodities included in this list are fresh milk, milk in condensed or dried form, spices (except pepper), hops, fertilizers of animal and vegetable origin, seeds and materials for planting, tung oil, live animals for breeding purposes, and eggs not intended for use as food.

Dairy products have been declared essential to the public health in Thailand, but on occasion the importation of dried milk with butter fat removed has been restricted because of the Thai Public Health Department's

1/ Prepared by the Asia and Middle East Branch, of the Foreign Agricultural Analysis Division.

contention that the uncontrolled distribution of dried skimmed milk has resulted in its use as food for babies and children in forms which have been prepared under dangerously unsanitary conditions. The Thai Department of Foreign Trade has recently stated that restrictions against the importation of nonfat dry milk solids will not be applied when the retail distribution of same is in accordance with regulations of the Public Health Department.

Category 2 specifies import items which are not absolutely essential to the domestic economy and which may be imported only in accordance with established quotas. The following agricultural products are included: All kinds of foodstuffs including animals for slaughter; seeds of cereals; fruits and vegetables to be used as food (planting materials excepted); sugar and syrups; coffee, tea, and cocoa; unmanufactured and manufactured tobacco; hides and furs.

Import quotas for goods in Category 2 are (with some exceptions) issued to established importers in quantities not exceeding the highest import level attained by the respective importers during the five year period from 1949 through 1953. Recently the Ministry of Economic Affairs announced that it might provide small additional quotas, arbitrarily fixed as to quantity, for newly established firms which had no opportunity to import goods in Category 2 during the period named above.

Import licenses for sugar, syrup, unmanufactured tobacco, and manufactured tobacco are issued only to Government owned enterprises. Sugar is imported and distributed by the Thai Sugar Corporation Limited and molasses by the Bang Yie Khan Distillery, both of these organizations being under the Ministry of Industry. Tobacco leaf is imported and manufactured into cigarettes by the Thai Tobacco Monopoly, while manufactured tobacco products are imported and distributed by the Thai Excise Department, which also distributes locally manufactured cigarettes. Both of these organizations are directed by the Ministry of Finance. The policy of limiting the importation of foodstuffs is apparently for the purpose of giving a measure of protection to agricultural enterprises upon which the national economy is largely based.

Published lists of items for which import licenses are not issued include the following agricultural commodities: Meat, fresh, frozen and in other forms; products from wheat flour, except brittle, tasteless and salty biscuits; canned fish; canned and processed vegetables, including dried and fresh vegetables; shrimp paste, fish sauces and sauces other than tomato paste; margarines and other imitation butters; grains other than wheat, and oats and malt for industrial uses; bread and cakes; fruit juices and syrups; all kinds of fruit both canned and otherwise, including nuts and marmalade excepting jams; dried soybean curds; agar-agar and gelatine; vermicelli; molusca and other seafood; quail eggs; edible birds' nests; salt; honey; potatoes; seaweed; melon seeds (not for planting); all kinds of (natural) leaf for cigarette wrappers; betelnuts; rattan; coconut oil, peanut oil, and palm oil. The foregoing list uses the wording employed by the Ministry of Economic Affairs in its list of banned imports.

Although third category or banned import items are officially designated as luxury goods, the principal consideration in the preparation of the list has been to prohibit the importation of goods which are produced (or should be produced) in quantities sufficient for Thai consumption requirements. This list includes numerous processed foodstuffs which formerly came from Hong Kong in fairly large quantities. Examples are canned fish, shrimp paste, various types of canned fruits and vegetables, dried soybean curds, seaweed gelatin, edible melon seeds, vermicelli, coconut oil, peanut oil, and palm oil.

The policy of protecting local industries is more evident when one examines the entire Category 3 list with special reference to Chinese type manufactured articles of a nonagricultural nature. Included are paper fans, umbrellas, candles, fireworks, straw hats, embroidered linens, joss sticks, chopsticks, and a large number of similar items. While such goods are inconsequential in world trade, the importation of these items into Thailand has been relatively large prior to the establishment of import restrictions.

From time to time the Ministry of Economic Affairs publishes announcements which describe the goods to be included in the three import categories described above. These lists are not all-inclusive, apparently being intended only as general guides for minor officials responsible for the preparation of import licenses.

Goods which are not specifically mentioned in the published lists are automatically included in Category 2; that is, the importation is subject to the establishment of import quotas. This rule applies only in the case of goods which have been regularly imported in the past. Raw cotton and wheat flour, which are not mentioned in any published list, would be examples.

In certain cases, requests for permission to import merchandise must be brought to the attention of superior officers at the policy making level. For example, (here we quote from a statement published by the Ministry of Economic Affairs) "Permission to import all kinds of sugar may be granted by the Ministry of Economic Affairs or his Deputy under special circumstances." The term "special circumstances" seems a bit vague but presumably refers to the fact that the manufacturing, import, and distribution of sugar is under the Ministry of Industry, and points to the requirement that there be consultation between the Ministries of Economic Affairs and Industry before quantities of sugar to be imported are decided upon.

Other special cases would be those involving the importation of goods to be purchased by government owned manufacturers or government agencies with exclusive or limited rights to import and distribute manufactured goods. Government organizations with exclusive rights include the Thai Sugar Corporation, Thai Tobacco Monopoly and Excise Department. One government agency which imports manufactured merchandise, but does not have exclusive import privileges, is the Government Purchasing Bureau which operates (in cooperation with the Ministry of Cooperatives) a number of retailing establishments.

Policies concerning limited import quotas and regulations pertaining to items on the banned list are apparently relaxed in special cases. For example, importations of wheat flour seem to have been fairly liberal. During 1954 the Thai Customs House reports wheat flour imports totaling 8,424 metric tons, of which 358 metric tons came from the United States. Certain foodstuffs on the banned list, such as fruit and vegetable products, were also imported during 1954.

Export Controls

Export licenses must be obtained for all merchandise shipped out of Thailand. Articles for personal use and travel requirements, and samples of merchandise are exempted from this requirement.

Agricultural commodities specifically mentioned in the regulations are: Livestock; poultry; meats of all kinds; eggs; lard; molasses; sugar (not ordinarily exported); rough rice, milled rice, glutinous rice, rice meal and bran, all rice preparations; all kinds of timber; elephants, horses, donkeys and mules; wild animals of all kinds; coconuts, coconut oil, copra, and copra cake; cow and buffalo hides; and rubber.

Special export controls are applied to certain types of commodities. In the case of rice, rubber, and tin a specified percentage of the foreign exchange earned by sale of same must be surrendered to the Bank of Thailand, the exporter being reimbursed for such surrender at the official exchange rate.

Permission to export rice may be obtained only from the Rice Bureau of the Ministry of Economic Affairs. Special consideration is given by officers of Cabinet Rank (Ministers, Deputy Ministers, and Under-Secretaries) to applications for licenses to export livestock for slaughter, draft animals including elephants, and all kinds of timber other than teak. The justification for the special regulations pertaining to livestock and timbers is that these are necessary to control prices for domestic consumption and also to conserve natural renewable resources. The practical effect of these rules is a certain degree of stagnation in trade in these items because of uncertainties as to whether or not the dealers will be able to obtain export permits when needed.

Export duties are imposed on the export of certain specified goods. Extraordinary charges are levied on certain exports. Of the items subject to special export charges, rice is of special interest since it competes with rice exported from the United States. For the purpose of levying ad valorem export duties on rice, the Thai Customs Department periodically announces basic values, arbitrarily fixed, for various grades of export rice.

Total charges against export rice represent the sum of the export license fee, export duty, and losses incurred by the exporter because of the required surrender of specified sums of foreign exchange earnings at the official rate. These charges vary according to the grade of rice, but may be as high as \$60 per metric ton or 40 percent of the f.o.b. price.

Agricultural Production Policies

Because of inadequate and irregular precipitation in Thailand's principal agricultural districts, any noteworthy increases in agricultural production will be dependant upon the expansion of existing irrigation systems and the development of new systems of a somewhat larger and different type than those constructed heretofore. Thus, this country's policies with respect to the development of irrigation projects is of special importance.

For many years the Government of Thailand has maintained an efficient operational organization known as the Royal Irrigation Department. During the past several generations, the Irrigation Department (and its successors) has constructed extensive canal systems on Thailand's flat Central Plain for the spreading of flood waters over rice producing areas. By this publicly supported activity Thailand has steadily increased its rice producing capacity, and until the past four or five years has been able to export about one-third of its total rice production, in spite of unusually heavy per capita consumption of rice and a rapidly growing population. However, the possibilities of this type of agricultural expansion have been nearly exhausted, and since the postwar recovery Thailand's rice production has not increased substantially, annual exports remaining at less than 1.5 million metric tons. Further expansion of rice production will depend largely upon the construction of irrigation works differing radically from the flood-water spreading devices used in the past.

Thailand is now meeting this situation by the construction of the Chao Phya Project at a cost of \$30,000,000 or more. The main features of this project are a large diversion dam in the Chao Phya River at Chainat serving high line canals carrying gravity flow waters to lands on the east and west margins of the Central Plain. With the completion of this project, irrigation water will be provided to assure increased production on lands heretofore dependent on inadequate rainfall, and on brush covered areas yet to be opened up to cultivation.

A second and larger multiple purpose dam is being planned at Yan Hee on the Ping River, one of the principal tributaries of the Chao Phya. This dam will divert water for the irrigation of large tracts of undeveloped land, and will provide hydro-electric power at rates sufficiently low to warrant the pumping of irrigation water in districts at some distance from the dam.

The Thai Government has consistently maintained a policy of providing free irrigation services for its more important agricultural districts and has long emphasized the development of Thailand's agricultural resources through the construction of irrigation or flood control projects. This policy, together with the demonstrated efficiency of the Royal Irrigation Department, supports the prediction that annual rice exports from Thailand will increase to around 2.0 million metric tons within a few years, and that at the same time this country will be able to provide sufficient rice at low prices to meet increasing domestic needs.

It is the policy of the Thai Government to develop and maintain a well organized Agricultural College at Bangkhen near Bangkok; and to improve the Agricultural Research and Extension Divisions of the Ministry of Agriculture. Progress being made in agricultural education, research, and extension will eventually result in increased agricultural production throughout the country.

In its agricultural development programs Thailand is placing special emphasis on rice. Attention is being given also to livestock, oilseeds, starches, sugar, tobacco and cotton. These programs are being implemented with reasonable rapidity, and it is probable that Thailand's agricultural exports of commodities other than rice, although relatively small, will eventually have some effect on world markets for such products.

General Effect of Thai Agricultural Policies

Thailand's agricultural policies call for (1) increased production of principal crops, (2) improvement in the quality of its agricultural exports, and (3) the maintenance of export prices at competitive levels.

The practical possibilities of this general policy are best illustrated in connection with Rice. (1) Production is being increased by extensive public works. (2) An immediate improvement in quality of rice for export has been accomplished this year by a tightening up of the administration of rice grading and inspection systems. Exporters and Inspection Agencies report that during the past several months Thailand has had few claims on rice shipments, which contrasts with numerous troublesome claims submitted in previous years. Other improvements in the milling and eating quality of Thai rice are in the offing as the result of research work carried on by the Rice Department of the Ministry of Agriculture. (3) As to export prices on Thai rice; the Undersecretary of the Ministry of Public Affairs publicly announced at a recent meeting of the Rice Consultative Committee that Thailand intended, if necessary, to lower its export rice prices during 1956. This, he said, would be accomplished by legislative measure designed to lessen the dependence of the Thai Government on revenues earned from rice exports. This statement by a highly responsible officer of the Thai Government is especially significant in view of the fact that total export charges on high grade rice now approximate 40% of the F O B Bangkok price. It is obvious, therefore, that if the Government of Thailand does revise its taxing system this country will be in position to export rice at prices much lower than those prevailing at present. Moreover this reduction will be possible without reducing prices now paid to rice producers and millers.



FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D. C.

FATP 32-55

DEC 23 1954

September 20, 1955

WEST-GERMANY: Aids to Exports of Agricultural Products.

West-Germany, one of the world's largest importers of agricultural products has no great importance as an exporter of these products, except certain specialties, such as Westphalian and canned hams, beer, hops, and wine, and some foods and feeds processed from imported raw materials. The United States is the chief outlet for German canned ham, accounting for three-fourths of the 19,400,000 pounds exported in 1954. During the same year, the United States also took 15 percent of West-Germany's exports of beer and hops, and 25 percent (by value) of German wine exports.

For some time, West-Germany has been following a policy of promoting agricultural exports. Below is an account of special export aids as they exist at present.

A. Direct and Indirect Payments to Exporters.

(1) The "soft commodity" (Weichwaren) arrangement, which involves local deliveries of German milk and fresh meat to the U.S. Army, beer to the Army and to the dollar area, and canned pork specialties to the dollar area, against importation of selected U.S. commodities (e.g. citrus fruit, juices, fatback, offal, dried fruit, etc.). Under this arrangement, exporters of the German products specified are allowed to keep their dollar proceeds, and to dispose of them at a premium for the importation of specified goods from the dollar area for which no free dollars are normally released. This "soft commodity" arrangement is in the closing state. All old licenses expired June 30, 1955, and goods had to be imported by that date, with the following exceptions: against fresh meat deliveries to the Army made during the first quarter of 1955, imports are permissible through December 1955, and in the case of milk deliveries against U.S. honey imports, the program might well run into 1956. (This program would come under "indirect" payments since the exporter's "loss" is paid by the German importer and finally by the consumer of imported U.S. products).

(2) The export payments for shipments of canned pork specialties to the dollar area through direct reimbursement to the exporter. Such reimbursements are sometimes referred to as being financed out of the import fees earned by the government-operated Import and Storage Agency for Grains and Feeds from imports of feed grains. In actual fact, however, the reimbursement is a subsidy out of general treasury funds into which, conversely, go the earnings from import fees. These earnings are used for many purposes other than export

subsidies, and export subsidies would be paid even if there were no earnings from import fees.

B. Tax Refunds or Exemptions.

These exist for various types of taxes (but most apply also to all non-agricultural commodities).

(1) The excise tax is not collected when the goods are exported directly by the producer who is liable for the tax in the case of beer, tobacco, sugar, champagne, and vinegar. On exports of sugar products (including bakery goods) the amount of tax paid on the sugar used in the product is refunded.

(2) A special law provides for a tax-free allowance to be deducted from profits for income tax purposes. The following amounts may be deducted from taxable income:

- (i) export traders may deduct 1.38% of export sales.
- (ii) manufacturers may deduct 3.85% of export sales of finished products (3.3% for semi-finished products).
- (iii) manufacturers may deduct 3.85% of deliveries to export traders (3.3% for semi-finished products).

(3) Provisions for exemption from and refund for the turnover tax are as follows:

- (i) the final turnover, i.e., the delivery by the German exporter to the foreign buyer, is exempt from the turnover tax (which normally amounts to 4% ad valorem);
- (ii) in addition to the above exemption, a refund of turnover taxes paid on transactions preceding the export sale is granted to the exporter, which, in theory, enables him to reduce the selling price of the exported goods accordingly. The turnover tax law provides for two different kinds of refunds depending on whether the exporter is an export dealer or the manufacturer. The former's refund amounts to from 1.5-4.0% of the purchase price (or 4% of 92% of the selling price), the latter's refund from 0.5-3.0% of the export price (3% for finished products, 2% for pre-manufactures, 1% for semi-finished products, 0.5% for other products). The individual classification for commodities is laid down in a comprehensive list (Appendix 3 c to the Fifth Ordinance Amending the Implementing Regulations of the Turnover Tax Law, dated August 3, 1953), where, in general, refund rates for agricultural products are fixed in conformity with the normally reduced turnover tax rates for such products. Under certain conditions (mainly if he has not altered the export commodity), the export dealer can, in addition to his own refund, receive the manufacturer's refund.

(4) Under a law published on March 17, 1955, export duties on certain foods (e.g., dried fodder plants, fish and carcass meal, animal blood, bran, extracted beet chips and oilcakes) may not be levied if and when the Federal Minister for Food, Agriculture and Forestry certifies that he raises no objections from the point of view of domestic supplies, i.e., if a surplus exists.

C. Special Freight Rates for Exported Goods

Special railway freight rates (within West-Germany) exist only for mineral water and beer exports. In case of exports across the frontiers the reduction is 5.5% for mineral water and 5-11% for beer (greater distance: higher reduction). In case of exports via sea ports, a reduction of 38% is granted only for exported beer.



FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D. C.

FATP 33-55

September 26, 1955

U. S. DEPARTMENT OF AGRICULTURE
GOVERNMENT INTERVENTION IN AGRICULTURAL
MARKETING IN THAILAND*

The Thailand Minister of Economics announced on May 13, 1955 that the Government is establishing provincial (Changwad) trading companies in order to make the Thai people more actively interested in trade.

This is not the initial step of this type of government trading. The Government first established the Changwad trading companies in the late 1930's, with a total of about 30 companies, as a part of the program to place the Thai people in control of the economic life of the country. Since almost all of the "aliens" in Thailand were Chinese, who controlled a large share of the commercial activity in Thailand, the program was obviously aimed at them. The recent announcement mentioned above is actually an expansion program of the Changwad further into the trade in agricultural commodities.

The Changwad trading companies are primarily wholesale firms, although they have also engaged in some retail activity, and, to a minor extent, in other activities such as rice milling. Most of the goods sold by the companies are from Government monopolies, i.e., tobacco products, alcoholic beverages and matches. They also have sold and are selling some imported goods obtained from the Government Purchasing Bureau. In the expanded program they will deal also in such commodities as rice, fruits, vegetables, maize, beans, peanuts, soybeans and in manufactured merchandise.

Background

Encouraging the Thai to enter economic activities is a recurring theme in the speeches of high government officials. For instance, the official press release of the Prime Minister's press conference of July 15, 1955 reports him as replying to a question about trade monopoly and privileges as follows: "Before, when trade was in the hands of the Chinese, we did not in any way consider the Chinese as having monopolized trade or having obtained any special privileges. This line of thinking has only just cropped up when the Thais have begun to be active in business. This is an ordinary case of competition in business. Should the Thais not step in, it would naturally be in the hands of the aliens."

*Prepared by the Asia and Middle East Branch, of the Foreign Agricultural Analysis Division.

On July 22 the BANGKOK POST reported a speech by the Minister of Economics as follows: "In encouraging the Thai people to trade 'it is necessary to change a national habit'...He explained that since the time of Naresuan the Great, aliens have been taking over the economy of the country because the Thai people have always wanted to be government officials....'If we do not change the situation, what would we have left for posterity'?"

This theme has been prominent in public life since the 1932 revolution. Government actions to reserve certain fields of economic activity to the Thai or to government firms, to limit Chinese immigration, to tax aliens, and to restrict the teaching of Chinese in the schools, were equally a part of the program. The expense of the new government program was financed by new taxes levied on the merchant class, who were largely Chinese.

The Prime Minister in the late 1930's when the program was being implemented, was the present Prime Minister, Pibulsonggram. He set forth the guiding principles of the nationalistic program in 1939 in the "Ratha Nyon". This asked all patriotic Thais to eat food derived only from Thai produce or Thai manufacture; to wear clothing manufactured by the Thai; to assist Thais to enter into commerce, trade, and industry; to help all public works and similar programs devised by the Government; and finally to conduct business in an "honest and honorable" way. Luang Pradist Manudharm (Pridi), Minister of Finance who later became Prime Minister for a short period, was to a large extent responsible for drafting and getting the economic part of the program enacted into law. Thus, the program of economic favoritism for the Thais was supported by Prime Minister Pibulsonggram and Luang Pridi, two of the outstanding political leaders in Thailand since the 1932 revolution.

During the inflation and unsettled economic conditions of the first few years following the war, about one-third of the thirty Changwad companies ceased operations. People now connected with the Changwad companies are reluctant to discuss this matter, but they admit under questioning that it was due to mismanagement and corruption. In the past few years, about ten of these companies have been reconstituted, bringing the present total up to thirty.

In spite of the Government's action to assist and encourage Thai participation in business activity, Chinese and foreign firms still dominate the commercial life of Thailand. For instance, Chinese rice firms account for 90 percent of the rice trade and other Chinese export firms carry on almost all of the export trade in other agricultural products. A recognition of the failure of the Thai to attain leading positions in commerce and a desire to give a new impetus to the principles of the "Ratha Nyon" probably motivated the above remarks by the Prime Minister of Economics about aliens in business and encouraging the Thai to enter trade. The expansion of the activities of the Changwad companies is a step toward implementing this policy.

Trading Activities

The Changwad companies are in competition with other firms and individuals who also buy and sell Government monopoly goods and imported goods, except in a few provinces where the Changwad companies have had a monopoly on the distribution of alcoholic beverages.

The buying activity has been concentrated in agricultural produce purchased in the Changwads for selling in other areas in Thailand. Products purchased have been maize, beans, peanuts, soybeans and vegetables. The companies plan to expand buying and selling activity in these products. The Government granted the companies liberal credit terms when they were first organized. These companies in turn assisted Thai firms by granting them liberal credit terms. The sales to Chinese, however, were for cash. Thai firms are still favored through special discounts and special credit terms.

Organization of Companies

The Government owns 51 percent of the shares of most of the thirty companies. It owns a minority of the shares of the newly reconstituted companies. In those provinces where the Government owns a majority of the shares of the company, the governor elects a majority of the Board of Directors. The usual number of Directors is seven, so the Governor elects four of these. The Governor of the Changwad is the chairman of the Company Committee, which is selected from members of the Board of Directors to manage the day-to-day operations of the company. Other members of the Company Committee are provincial officials and members selected by the Governor from local Thai merchants. The manager of the company is selected by the Committee.

The Ministry of Economics has proposed the adoption of the standard set of rules for the Changwad companies, which are now in effect for most companies. These rules contain detailed provisions for the election of officers and set forth the responsibilities of the various company organs and the procedures for holding meetings. The shareholders of the companies under these rules should be registered, and approval of the Company Committee must be obtained before transferring the shares. The obvious purpose of this latter rule is to keep control of the company in Thai hands.

The companies are required to send detailed monthly financial reports to the Ministry of Economics. The head of the Department of Domestic Industry in the Ministry of Economics, who is Chairman of the Board of Directors of the Warehouse Organization (see below) reviews these reports. He also attempts to coordinate their activities and makes recommendations in regard to company rules and policy. It is not clear how much authority he exercises over these companies, but in an interview with an Embassy Officer he stated that in exercising these functions he aims to leave as much initiative and responsibility in the companies as possible.

Connections With Other Organizations

In 1955 the Government took further steps to assist the Changwad companies by instituting a new five-year program to establish a Changwad company in every one of the 71 Changwads. The key instrument to be used in the program is the Warehouse organization and one of its divisions, the Central Market.

The Royal Decree organizing the Warehouse Organization was promulgated on April 14, 1955. This decree set up the Warehouse Organization with a capital to be fixed at 125 million baht (About 6 million dollars), and with an initial capital of 10 million baht (about 500,000 dollars). The object of the organization, as defined in the decree, is "doing all business concerned with rice, fruits, and vegetables and merchandise in order to have the amount of production, quality and price appropriate and sufficient to meet the needs of the State and public in general". Its broad powers include the power to buy and sell merchandise; "to engage in the warehouse business and in those concerning rice, fruits and vegetables and merchandise"; to borrow money, but if the amount exceeds 3 million baht prior approval is necessary from the Council of Ministers; and "to do any other work to promote production as well as trade in rice, fruits and vegetables and merchandise of the Thai people within as well as without the Kingdom". One of the major tasks of the Warehouse Organization will be to cooperate closely with the Changwat companies, coordinate their activities, and to offer them its warehousing services. The Warehouse Division is building for the storage of rice at Klong Toey Harbor a large modern godown, which will be used to facilitate the export trade of the Changwat companies. It is also constructing other godowns in the provinces to facilitate the rice and vegetable trade.

The Minister of Economics was delegated the responsibility for implementing the Royal Decree and for supervising in general the operations of the Warehouse Organization. He has the authority to call on anyone in the Organization including the Board of Directors to report to him. The Board of Directors, its Chairman, and Vice Chairman are appointed by the Council of Ministers. The Minister of Economics has authority to appoint and remove the Director, who is an ex officio member of the Board of Directors. This Director, however, is responsible to the Board of Directors for the management and conduct of the organization. He makes an annual financial report to them. The State Audit Council audits the books of the Organization and makes a report of the audit to the Council of Ministers.

One of the Divisions in the Warehouse Organization is the Central Market. The Central Market, which was scheduled to open in August, 1955 will handle the wholesale distribution in Bangkok of the vegetables of the Changwat companies and in addition produce obtained from private firms. It is located on the Chao Phya River next to the Department of Domestic Industry. The new, modernistic structure is a marked contrast to the old buildings, roadside stands and places along the streets that are used to sell practically all of Bangkok's fruits and vegetables.

The Ministry of Economics plans to have the Changwat companies do their exporting through the Warehouse Organization and then through the Agricultural Products Trading Company (Phuet Kasikam). The head of the latter company is Phya Mahai, former Minister of Economic; the Ministry of Economics now owns 40 percent of the company. This company has carried on export trade in rice, salt to Japan, fish to Indonesia and soybeans, but as yet the quantities have been a very small part of the total trade in these commodities.

In the rice exporting business the Warehouse Organization and the Phuet Kasikam will cooperate closely with the Thaharn Samakkhe, a private organization owned by government officials which controls the trade in the Northeast, and the Thai Rice Company, a government firm which exports rice from the central area. The latter three firms now export about 10 percent of Thailand's total rice exports. The remainder is controlled by Chinese rice millers. The Chinese traders have had long experience and many contacts with the rice farmers and over many years have developed a network of buyers and millers for exporting rice. It is likely, therefore, that the Phuet Kasikam, even with the help of the Thai firms mentioned above, will have a great deal of difficulty in making inroads on the Chinese trade.

A similar situation exists in peanuts, green peas, maize and other less important agricultural products which the Warehouse Organization hopes to obtain from the Changwad companies and export through Phuet Kasikam. The Chinese merchants have a working organization to gather these products from the country and forward them to the Chinese firms, which control almost all of the export trade in these commodities. About 60 percent of these products go to Japan, and Chinese firms have for years worked closely with Japanese firms in this export trade. Most of the remainder goes to Chinese importers in Hong Kong, Malaya, Penang and Singapore, so it would be even more difficult for the Thai export firms to make inroads on this export trade.

The Changwad companies will also utilize the facilities of the Thai Inland Navigation Company, which is a government firm owned and controlled by the Ministry of Economics.

The Changwad companies buy a large share of their imported goods from the Government Purchasing Bureau, already mentioned above.

It is not possible to outline all the prospective connections of the Warehouse Organization with other Government firms. It is likely that in accordance with the "Ratha Nyon" principles the Warehouse Organization and the Changwad companies will cooperate closely with other Government, semi-Government and Thai firms that can provide services in connection with the agricultural trade.

Conclusion

The Chinese traders are trained, shrewd, alert, and already comfortably settled behind years of Thai trading experience. They deal in quality products, and move them promptly. Some of the Thailand traders tend to be inexperienced and perhaps not as thoroughly schooled in the exigencies of trade and commerce as are the Chinese traders.

If the expansion of the activities of the Changwad companies is to be successful, it will probably require time and unending effort on the part of Thai officials.



FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D. C.

FATP 34-55

September 29, 1955

INCREASE IN PRODUCTION OF CEREALS IN INDIA^{1/}

Through oversight the wrong footnote was appended to FAS Circular FATP 34-55, dated September 28, 1955. Users of this circular are requested to delete the footnote on page 1 reading "Prepared by the Asia and Middle East Branch of the Foreign Agricultural Analysis Division" and to treat the following footnote as a part of the original circular:

^{1/}Source: Statesman, New Delhi, India, August 29, 1955, as quoted in Embassy, New Delhi, despatch No. AGR-13 of September 1, 1955.

Notes: Tons mentioned in this circular are long tons of 2,240 pounds each.
A rupee equals 21 U. S. cents.
A lakh equals one hundred thousand.
A crore equals ten million.



FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D. C.

FATP-35-55

DEC 23 1955

October 4, 1955

Italy as a Market for U. S. Farm Products ^{1/}

Italy as a market for United States farm products is of great but declining importance. It was the fifth most important customer of the United States in 1950, sixth in 1951 and 1952, and eighth in 1953 and 1954.

The major United States agricultural export to Italy is cotton, which accounted for three-fifths of the value of United States agricultural exports to Italy during the five-year period 1950-54. Italy was the second most important customer for United States cotton in 1951 and 1952, but slipped to fifth place in 1953 and 1954. The other major United States agricultural exports to Italy are grains (chiefly wheat) and fats and oils (chiefly inedible tallow and soybean oil). Exports of grain to Italy declined sharply from 1950 to 1954, whereas exports of fats and oils showed a somewhat more moderate decline.

The decline in Italy's importance as a market for United States agricultural products is largely due to Italian restrictions on dollar imports. During the earlier postwar years the dollar shortage had little effect on United States agricultural exports to Italy, since they were practically all paid for out of American aid funds. With the decline in aid, however, the effects of Italy's dollar problem have become much greater. Though there has in fact been considerable improvement in Italy's dollar reserves during the past two years, Italy has shown little inclination to relax restrictions on imports from the dollar area, not only because it fears the effect on its reserves, but also because of the effect it might have on its bilateral trade agreements.

Lower demand for cotton on the part of Italy's somewhat depressed textile industry, and lower demand for wheat resulting from higher domestic wheat production are also important factors in the deterioration of the Italian market for United States agricultural products. However, the share of the United States in Italy's agricultural imports has dropped much more than have total Italian agricultural imports. Should Italy liberalize imports of farm products from the dollar area, the United States could to some extent expand sales to Italy, if its prices are competitive.

^{1/} By Elfriede A. Krause, Agricultural Economist, European Analysis Branch, FAS.

General Economic Setting. Agriculture takes a much more important place in the Italian economy than in such countries as the United Kingdom, Western Germany or the United States, though industrialization has developed farther than in any other country in the Mediterranean area. Italy's economic development has been greatly retarded by its poverty in natural resources and capital. With the exception of its food industry, most of Italy's industries are largely dependent on imported raw materials. Almost four-fifths of its area is mountainous and hilly, and erratic rainfall is also a handicap to agriculture in a large part of the country.

The country's population density, 406 per square mile, is very high in relation to its resources. The rate of unemployment is among the highest in Europe, and there is also widespread underemployment. Though the rate of population growth has declined in recent years as a result of a lower birth rate and increased emigration, it will be some years before this affects the number of persons entering the labor market.

National income per capita in 1952 has been estimated at only about 30% of that in the United States, compared with 50% for Western Germany and 60% for the United Kingdom; in this comparison allowance is made for differences in internal purchasing power of the various currencies. Expressed in purely monetary terms, at official rates of exchange, Italy's per capita income is only about one-sixth of that of the United States.

There are tremendous differences in economic development between various parts of the country, ranging from the highly prosperous area of the North where the most important centers of Italian industry are located and where agricultural productivity is high, to the least industrialized, extremely poor areas of Southern Italy, which are largely dependent on agriculture, and where the productivity of agriculture is low. Per capita income in Calabria and the Basilicata in the South is less than one-third of that in Lombardy in the North. Taking the average per capita income of Italy as a whole as 100, per capita income in all of Northern Italy in 1951 was 137, in Central Italy 97, in Southern Italy 58, and in the Islands (Sicily and Sardinia), 60.

In the immediate postwar period Italy's efforts had to be concentrated on recovery of the heavy losses suffered during the war and on the stabilization of the currency. This was practically achieved by 1949, and since then the Italian Government has been able to place more emphasis on measures to overcome the structural weaknesses of the economy. The main problems to be solved are unemployment (and underemployment), the tremendous lag in economic development in the southern as compared with the northern part of the country, the generally low standard of living, and the chronic balance of payments deficit.

The key to the solution of all these problems is increased production, and Italy has made remarkable progress in this respect. According to Italian computations using 1936 as a base, the index of agricultural production reached 120 in 1953 and 112.5 in 1954, and the index of industrial production reached 165 in 1953 and 180 in 1954. During 1951 to 1954 the Italian gross national product increased on the average about 5% a year. Increases have been relatively larger in the south than in the north.

Italy's overall balance of payments showed a net surplus of \$55 million in 1954, though without U.S. aid--including offshore procurement--there would have been a deficit of about \$140 million. Italian dollar and gold reserves reached a record level of \$846 million in 1954. They would have been still higher but for the drain on them resulting from the large deficit with the European Payments Union (EPU) area.

The substantial production increases which have occurred in Italy since the war have been possible only with American assistance, which has continued, though on a substantially reduced scale, into the current period where the problem is no longer reconstruction but the creation of a viable economy able to provide a decent standard of living for the population. Several important programs are under way to bring about the changes desired, including the land reform program, providing for the expropriation and redistribution of some 700,000 hectares of land, and the program of the Southern Development Fund, providing for the expenditure of about 2 billion dollars in twelve years for industrial and agricultural development in Southern Italy.

The ten-year economic development plan for Italy, often referred to as the Vanoni Plan, which was developed under the Scelba Government and accepted as the primary basis for the Segni Government's economic policy, is a target plan designed to be of sufficient scope to overcome the problem of unemployment within a period of ten years. This plan calls for a considerably larger production increase in the south than in the north. Large increases in both public and private investments would be necessary to carry out the plan as set up; whether or not it can be carried out on such an ambitious a scale will depend on many factors, including whether sufficient assistance is obtained from outside of the country. Italy has recently obtained loans of 70 million dollars from the International Bank for Reconstruction and Development and 20 million dollars from the Export-Import Bank, and a considerable part of the proceeds of the recent sale of American surplus agricultural products under Title I of PL 480 will also be used as a loan for economic development. All these development projects should ultimately increase the Italian people's domestic and import buying power.

Type of agriculture and agricultural production. Reflecting the sharp regional contrasts in natural conditions and historical development, Italian agriculture is extremely varied as to crops, methods of cultivation and types of farm enterprise. In Northern Italy, where the climate is more nearly continental, the type of agriculture carried out is not very different from that in some parts of northern and central Europe. In the mountainous areas, for example, farming methods are similar to those in parts of Switzerland,

and in the Po Valley many of the farms are large, highly-mechanized, very productive commercial operations, employing many laborers. In the north, mixed crop and livestock farming is widely practiced, with good rotations and generally high yields.

Proceeding toward the south, where the climate becomes increasingly Mediterranean, with hot, dry summers and unpredictable rainfall from year to year, agriculture becomes much poorer. More primitive farming methods are used, per hectare yields of field crops are much lower, and there is greater emphasis on the tree crops which are adapted to the Mediterranean climate.

In the hilly and mountainous regions of the south the feudal pattern of land tenure has been maintained the longest; this is characterized by large, technically primitive, extensively cultivated estates or latifondi, generally the property of absentee owners. The tenants or workers on these estates usually live in villages, often many kilometers from their place of work. The land reform program provides for expropriation of large estates in specified areas, largely in the southern and central part of the country, and their redistribution to landless peasants, as small holdings. Between 1950 and the end of 1954 some 473,000 hectares (1,170,000 acres) were distributed to 89,000 families. Peasants with medium or small holdings, either owned or rented under various types of contracts, are common throughout the country. Though many cultivate their farms quite intensively, there are few with satisfactory levels of living, at least by western standards.

Wheat is the principal crop throughout Italy, soft wheat in the north and chiefly durum wheat in the south; it is grown in many areas which in other countries would be used for woods and pasture. Corn and rice are the next most important grain crops, both grown primarily in the northern part of the country. Dry legumes are grown much more than in northern Europe, particularly broad beans in the southern part of the country, grown in rotation with wheat. Citrus fruit, olives and almonds are important in the south, sugar beets and apples, pears and peaches in the north, and grapes and vegetables throughout the country. Livestock raising accounts for a much lower portion of the agricultural income than in northern European countries. Nevertheless, cattle and hog raising are carried on quite intensively in the northern part of the country; sheep and goats are the principal livestock in the poorer south.

Agricultural policy and trade restrictions. The major goal of Italy's agricultural policy is greater agricultural productivity in order to provide a higher standard of living for the rural population and a better diet for the population as a whole, and to reduce the trade deficit in agricultural products. The main prop of its policy is, as it has been for many decades, the support of wheat production. Italy has retreated somewhat from the policy of maximum wheat production at any cost, which prevailed during the Fascist era, and in the period during and immediately after World War II when the primary problem was one of food shortages. Nevertheless, many of the measures

taken during the thirties are still in effect. Domestic wheat prices are supported at levels well above those prevailing on the world market. To carry out this policy the government purchases (through the Federation of Agricultural Cooperatives -- Federconsorzi) part of the crop at fixed prices, and imports of wheat are made only by the government, the Federconsorzi acting as its agent. In some years, an additional portion of the crop is pooled voluntarily as a means of price support, and the Federconsorzi also makes purchases on the free market when it seems necessary to support the price.

Rice prices are closely controlled by the National Rice Board, rice producers being obligated to sell their rice to the Board, though in practice the producers are permitted to sell the finer grades directly to the mills. During much of the postwar period internal prices were maintained at lower levels than export prices, a tax being imposed on exports. Increasing difficulties in exporting rice led to reduction of the exports tax in 1954, as well as the formation of a new organization to handle rice exports exclusively and discontinuance of the former policy of exporting rice in combination with hemp. In the spring of 1955 the government took over 200,000 tons of rice to be kept off the market as a stockpile for poor years.

The Federconsorzi pools a number of other commodities, some of them with government support, to help maintain prices. At present there are pooling operations for butter, cheese, olive oil, silk cocoons, the minor small grains and dry legumes; deliveries to the Federconsorzi are voluntary. Wholesale sugar prices are fixed by the Government at levels well above world prices. Italy has been able to maintain self-sufficiency in sugar supplies in recent year, in spite of rapid increases in consumption. Hemp production and exports are controlled by the Hemp Consortium, and production and foreign trade in tobacco are under the control of the Italian State Monopoly.

Agricultural advisory services have been considerably expanded in recent years, with the assistance of American aid programs. Other special programs, partly assisted by American aid, include subsidies to reduce the price of selected seed, prizes to encourage increased yields, selective breeding of livestock under the supervision of the government, and fruit marketing studies. Numerous reclamation projects completed or under construction, the government's land reform program, and the development projects carried out in connection with it are also increasing production considerably in the areas affected.

The ten-year economic development program (Vanoni Plan), referred to above, calls for efforts to increase agricultural productivity, with no increase in the number of people employed in agriculture, by increasing investments devoted to irrigation, mechanization, and improvement in methods of cultivation and distribution of farm produce. The greatest increases in productivity are planned for livestock, fruit and vegetables, the latter two especially for the export market. While the Vanoni Plan as such is still largely in the discussion stage, its plans for agriculture reflect the thinking of Italian authorities on the lines which agricultural policy should take in the next decade.

High tariffs to protect high cost agricultural production of staple commodities from the impact of foreign competition were for many years an important instrument of Italian agricultural trade policy. In 1950 a new tariff schedule was passed by the Italian Parliament which provided for high tariffs on an ad valorem basis on most products, replacing the old specific duty schedule which had become purely nominal after the sharp devaluation of the lira which had occurred since the war. With the exception of some of the cheese rates, recently put into effect, this tariff schedule has been used only as a basis for tariff negotiations under GATT. The "temporary" schedule at present in effect has more moderate rates.

Imports of agricultural products from the dollar area and all other areas outside the OEEC group* are subject to quantitative restrictions and require an import license, except in the case of a few minor products. In general a license for imports from the dollar area is granted only when the item cannot be obtained in Italy or from OEEC countries and is considered a "necessary" import. Exceptions to the first of these criteria may be made if the prices in Italy or the OEEC area are considered "unreasonably" out of line with the dollar price. Licenses for dollar imports are also more difficult to obtain if the product concerned is one included in Italy's numerous bilateral trade agreements and global compensation agreements. Oilcake and meal are the only agricultural products of any significance which can be freely imported from the dollar area.

There are no quantitative restrictions on most imports from OEEC countries and their overseas territories; exceptions in the agricultural field are milk and cream and wine, including grape must, as well as wheat and tobacco, both of which are imported only on government account.** This policy has been maintained in face of considerable pressure on the part of domestic groups for the deliberalization of certain products, such as meat, and in spite of the fact that, whereas this policy was initiated at a time when Italy had a substantial cumulative credit balance with the European Payments Union (EPU), it now has a large cumulative deficit.

Consumption of agricultural products and import requirements. Food consumption in Italy, at about 2700 calories per day, is somewhat above the prewar level and the current level of several other Mediterranean countries, but well below the level of most West European countries. The average diet is weighted heavily with grain products and is deficient in protein foods and fat.

Italy has been nearly self-sufficient in calorie terms in recent years. Its main food import requirements, in the usual order of importance, are wheat, coffee, meat, including live animals, fish, dairy products, fats and oils. Industrial fats and oils are also important, in particular inedible tallow. A very large part of agricultural imports consists of raw cotton.

* Countries belonging to the Organization for European Economic Cooperation and their overseas territories. ** Since writing the above, a few other agricultural products have been deliberalized, notably grapes, raisins and sugar.

and wool for the textile industry. In the years 1952 to 1954, agricultural products averaged about one-third of total imports, in terms of value.

The United States Share in Italian Imports. Imports from the United States accounted for about one-sixth of Italy's total agricultural imports during the years 1952-54, 25% in 1952, 15% in 1953 and 9% in 1954. Cotton is by far Italy's most important agricultural import from the United States, accounting for 61% of the total during 1952-54. The next most important agricultural imports from the United States are wheat (23% of the total during 1952-54) and inedible tallow (6%). The only other significant agricultural imports from the United States are soybean oil, corn, tobacco, cattle hides and prunes.

Italy's imports of non-agricultural products from the United States also accounted for nearly one-sixth of Italy's total non-agricultural imports during the period 1952-54. These consist primarily of coal, copper, including alloys, and scrap, machinery and parts, and other manufactured products. Agricultural imports represented 36% of total Italian imports from the United States during the period 1952-54.

Table I shows Italian agricultural imports from the United States during 1952 to 1954, and the percentage which these represented of total imports from all sources, in value terms.

a) Cotton. The chief cause of the decline in Italian cotton purchases from the United States in recent years, shown in Table I, has been the inability of Italian importers to obtain the necessary dollar licenses. While Italy's dollar shortage is not a new situation, it had much less effect in earlier postwar years, when American aid funds which could be used for cotton purchases were more abundant. Declining consumption by the Italian textile mills resulting from their decreasing exports of textiles played a less important role, as purchases from the United States have declined percentagewise much more than total purchases.

During the crop year 1954-55, a large part of American sales of cotton to Italy have again been made with special financing under PL 665 and PL 480. Cotton imports from other countries, chiefly under trade agreements, will continue to be large, or even increase, unless Italy liberalizes dollar cotton imports or the United States sells large amounts to Italy under special programs such as PL 480. In 1954, for example, in spite of the fact that United States purchases were made chiefly with United States aid funds, only 35% of the total tonnage of cotton imports came from the United States, as compared with 63% during 1949-53 and 59% during 1934-38. The chief Italian cotton suppliers in 1954, after the United States, were, in order of importance, Brazil, Egypt, Turkey, Pakistan and the U.S.S.R. All of these have bilateral trade agreements with Italy.

Table I. Share of the United States in Italian Imports of Agricultural Products, 1952 to 1954*

Commodity	1952			1953			1954**		
	Imports:			Imports:			Imports:		
	: % of			: % of			: % of		
	: from	: Total	: % of	: from	: Total	: % of	: from	: Total	: % of
	: U.S.	: imports:from U.S.	: %	: U.S.	: imports:from U.S.	: %	: U.S.	: imports:from U.S.	: %
	: Million \$ - -	: %		: Million \$ - -	: %		: Million \$ - -	: %	
Cotton, unmanufactured	133.4	219.5	61	57.9	133.3	43	49.2	142.0	35
Grains and preparations	55.9	137.8	41	45.4	146.8	31	1.2	44.4	3
Wheat and wheat flour	(55.6)	(130.9)	42	(33.7)	(113.4)	30	(1.0)	(23.8)	4
Fats, oils and oilseeds***	13.2	60.8	22	17.2	73.7	23	9.8	58.0	17
Inedible tallow	(8.2)	(10.3)	80	(5.7)	(8.1)	70	(9.5)	(10.2)	93
Soybeans and soybean oil	(1.9)	(3.0)	63	(9.8)	(10.9)	90	(0.1)	(0.9)	11
Fruit, nuts and vegetables	1.3	22.0	6	0.6	26.1	2	0.1	22.5	negl.
Dried prunes	(1.0)	(1.1)	87	(0.3)	(0.4)	70	(0)	(0.7)	-
Tobacco, unmanufactured	0	2.1	-	2.5	10.3	24	1.0	8.2	12
Hides and skins	1.0	37.4	3	1.3	33.2	4	1.1	29.9	4
Other agricultural products	1.5	356.8	negl.	1.2	434.0	negl.	1.0	432.6	negl.
Total agricultural products	206.3	836.4	25	126.1	857.4	15	63.4	737.6	9
Non-agricultural products	285.7	1,499.2	19	198.4	1,537.7	13	228.1	1,663.4	14
Total imports	492.0	2,335.6	21	324.5	2,395.1	14	291.5	2,401.0	12

* Data taken or derived from Statistica annuale del commercio con l'Estero, 1952 and 1953 and Statistica del Commercio con l'Estero, December, 1954.

** Preliminary.

*** Excluding butter.

If cotton imports from the United States were liberalized, there is little doubt that United States cotton would stand a good chance of regaining its traditional proportion of the Italian market, assuming competitive prices, in view of the widespread preference for United States cotton.

b) Grain. Italian grain imports consist chiefly of wheat. Wheat imports from the United States accounted for a substantial proportion of the total during the entire postwar period, largely procurements under American aid programs. The decline in American aid funds has been a less important factor in Italy's declining purchases than in the case of cotton. More important is the fact that Italy's total demand for wheat imports has declined compared with earlier postwar years as a result of its higher domestic production. Furthermore, the commitments it has under its trade agreements with Argentina and Turkey, the fact that its shortages are partly of durum wheat, of which the United States does not have a surplus, and the incentive to procure wheat from the U.S.S.R., when possible, to reduce the latter's deficit in trade with Italy, are additional factors making the outlook for United States wheat exports to Italy unfavorable except in poor crop years.

Although the crop was poor in 1954, Italian stocks were high and imports (including some under PL 480) consequently were small.

The only other United States grain exports to Italy which are ever of any substantial importance are those of corn. Italian imports of secondary grains are sometimes sizeable. Argentina is the greatest competitor in the case of corn, and a large number of other, chiefly soft currency, countries for other secondary grains which compete with corn. Unless dollar imports of corn are liberalized, United States corn can probably be exported to Italy only under special programs, or in the event of inadequate supplies from other countries.

c) Fats and oils. The United States is Italy's major supplier of inedible tallow and generally also of soybean oil. Italy's imports of cottonseed oil are generally very small, and the United States is not one of its suppliers. New Zealand and Australia are the competitors of the United States in the Italian inedible tallow market. Although Italy has recently placed a tax on animal oil processing to reduce the amount of inedible tallow going into edible uses, and some inroads into soap production are being made by synthetic detergents, prospects for continued exports of inedible tallow are believed to be good. Italy has recently partially liberalized dollar imports of inedible tallow. The practical disappearance of the Italian market for United States soybeans and soybean oil since 1953 (see Table I) is due to the fact that dollar licenses are not being granted for these products and the only possibility of selling them to Italy is through so-called switch deals, which are not profitable at present United States prices.

d) Tobacco. The Italian State Monopoly, under the supervision of the Ministry of Finance, handles the importation of leaf tobacco. Imports of United States tobaccos have fluctuated in accordance with the need for supplies of cigarette leaf to supplement domestic production. United States cigarette leaf is used primarily for blending purposes in the manufacture of high-quality American-type blended cigarettes. Certain amounts of quality United States fire-cured leaf are required on a fairly constant basis for use as cigar wrappers. There is little possibility of substantially larger tobacco sales to Italy, except under special programs. Tobacco was included in the PL 480 (Title I) agreement with Italy of May 1955.

e) Prunes. Italian imports of United States prunes have been substantial in some years, representing a large proportion of total Italian prune imports. In 1954, though total Italian prune imports were considerably higher than in 1953, none were imported from the United States, except possibly through third countries. The problem here again is the Italian policy of not granting licenses for dollar imports of products which are not considered essential or can be obtained from OEEC and other trade agreement areas.

Major Italian exports to the United States. Italy's chief agricultural exports are fruit (especially citrus fruit, apples, peaches and grapes), vegetables, rice, wine, cheese and olive oil. During the years 1952 to 1954 agricultural exports averaged about one-fourth of Italy's total exports, in terms of value. Agricultural products also account for about the same proportion of Italy's exports to the United States. Table II shows the composition of Italian agricultural exports to the United States during 1952-54, with the relative importance of the United States market for the products listed.

There has been some increase in Italy's agricultural exports to the United States (considerably less than its increase in agricultural exports as a whole, however), in contrast to the sharp reduction in its agricultural imports from the United States during the same period.

Italy's main agricultural export to the United States is cheese. The increase in cheese exports during the period shown in the table consisted chiefly of Pecorino, a sheeps' milk cheese not subject to United States import quotas, as are most cows' milk cheeses. Tomato products (canned tomatoes and tomato paste) are the second most important agricultural export to the United States but, in contrast to cheese, the United States is not one of Italy's major markets for these products.

Italy's non-agricultural exports to the United States include textiles (by far the most important group), mercury, zinc, sewing machines, typewriters, accordions, and a large variety of other manufactured products. As shown in the above table, Italy's exports of industrial products to the United States were lower in 1954 than in the two preceding years, whereas its exports to other areas showed an increase. Efforts to increase Italy's dollar earnings

Table II. Share of the United States in Italian Exports of Agricultural Products, 1952-1954*

Commodity	1952		1953		1954**	
	: Exports : : to U.S. :	: % of : total :	: Exports : : to U.S. :	: % of : total :	: Exports : : to U.S. :	: % of : total :
Dairy products	8.7 (8.7)	44 (19.4)	10.3 (10.3)	19.1 (19.0)	10.9 (10.9)	19.1 (19.0)
Cheese						
Fruit, nuts, and vegetables	10.0 (5.3)	181.1 (23.8)	12.3 (5.0)	225.0 (28.1)	11.6 (6.8)	266.8 (41.8)
Tomato products						
Onions & garlic	(.6)	(4.1)	(1.0)	(4.6)	(10.9)	(4.7)
Nuts***	(2.7)	(51.8)	(4.0)	(51.9)	(2.1)	(47.8)
Fats & oils#	3.8 (3.6)	9.3 (7.4)	3.9 (3.8)	10.2 (8.6)	4.4 (4.2)	10.3 (8.4)
Olive oil						
Wine	3.2	20.7	4.1	23.5	4.7	25.6
Wool, unmanufactured	1.3	1.9	0.7	2.2	0.8	1.7
Other agricultural products	5.3	120.2	6.5	130.6	5.6	143.4
Total agricultural products	32.3	352.8	37.8	410.6	38.0	466.9
Non-agricultural products	207.2	1,033.7	106.3	1,096.3	90.2	1,169.1
Total exports	139.5	1,386.5	144.1	1,506.9	128.2	1,636.0

* Data taken or derived from Statistica annuale del commercio con l'Estero, 1952 and 1953 and Statistica del Commercio con l'Estero, December 1954.

** Preliminary.

*** Including chestnuts.

Excluding butter.

by promoting United States imports of Italian industrial products would enhance the possibilities of increasing exports of American agricultural products to Italy to the extent that the Italian Government would respond with more generous issuance of dollar licenses or liberalization of dollar imports.

Outlook. Prospects for expanding United States agricultural exports to Italy or, better said, of regaining the former United States share of the Italian market, hinge on the future development of Italy's economic situation and policy, especially its dollar trade policy. The latter in turn depends on Italy's dollar position, but only partly. In spite of the fact that Italian gold and dollar reserves increased by 40% from the middle of 1953 to the end of 1954 there has been a relatively small degree of liberalization of dollar imports as a whole and only very minor dollar agricultural imports have been liberalized.

There appears to be considerable sentiment in Italy in favor of freeing trade from quantitative restrictions. Such a policy has been adhered to firmly in the case of trade with CEEC countries, but has not been extended to trade with the dollar area, even though Italy's dollar position is much more favorable at present than its EPU position. The reasons for Italy's hesitation in the liberalization of dollar products are probably fear of the effects on the operation of its bilateral agreements, which are relied on to promote exports, as well as fear of a reversal in the favorable development of dollar reserves.

Whenever Italy does come around to liberalization of major agricultural imports from the United States, there should be a good chance to regain lost ground in the Italian market, but within limits. Expansion of the Italian cotton market to its former size depends on the situation of the Italian cotton textile industry. Italy may never again need to import as large quantities of wheat as a few years ago, because of its higher domestic production. In the case of these and other products, expansion of Italy's imports from the United States will also, of course, depend on other factors such as our competitive position as regards price and quality. United States farm products have a high reputation in Italy, and there is evidence of a widespread preference for them when they can be obtained.



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UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D. C.

FATP 36-55

October 18, 1955

DEC 23 1955
U. S. DEPARTMENT OF AGRICULTURE
AFGHANISTAN'S DEVELOPMENT PROGRAM MAY
LEAD TO INCREASED AGRICULTURAL EXPORTS. *

An agricultural development of substantial importance to Afghanistan is under way in the southern part of that country, where the Helmand Valley is being developed rapidly. The Afghan objective for the Valley is the development of an agricultural economy which will provide a regular source of foreign exchange, or, in other words, an area which will produce commodities for export.

Afghanistan's big Helmand Valley problem is how to pay for the development. The country hopes the project will be self-liquidating as regards costs because it has little capital available for economic development. Understandably, people in other parts of Afghanistan, particularly those areas producing some of the capital which may be used to finance projects in the Helmand area, may be jealous of the emphasis of the developmental effort in a single region. In keeping with the United States policy of encouraging less developed nations to become more self-sufficient, loans of nearly \$40 million have been extended by the Export-Import Bank.

Afghanistan is geographically and politically in a buffer position between the USSR on the north, Iran on the west, and Pakistan on the south and east. It is approximately equivalent to Texas in size; however, the population is about a third greater than that of Texas. It is a landlocked country devoid of railroads. The altitude generally exceeds 4,000 feet and there are peaks of over 25,000 feet.

Afghanistan's principal exports, recently, have been karakul skins, raw cotton, wool and dried fruits. Karakul skins have long been the country's major source of foreign exchange, and dried fruit and wool have also been important sources. Growing for export is a recent development in cotton. It became the leading export commodity, in value, as early as 1952. In general it is believed that these cotton exports went to the USSR and India.

Her principal imports during recent years have been petroleum, cotton cloth, machinery and equipment. A fair share of this has come from the United States.

* Prepared by the Asia and Middle East Branch of the Foreign Agricultural Analysis Division.

Effect on the United States.

The effect of Afghanistan's development on the United States is obvious. If it expands notably its production of cotton, wheat and dried fruits it will likely, sooner or later, sell to United States customers. Expansion in cotton in Afghanistan will surely be at the expense of wheat, in the use of land. This is especially true in the North and somewhat true in the Helmand Valley for the next few years where the new settlers (nomads) are to take over the land. Afghanistan's people including these new settlers, must be well fed if they are to make great strides in country economic development. Therefore, added internal consumption will no doubt utilize a considerable part of the increase in wheat production.

If foreign exchange is earned in the Helmand Valley it looks as though it must be with cotton and possibly fruit, both fresh and dried. Cotton and dried fruit might be in competition with the United States.

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FATP 37-55

October 27, 1955

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THE NETHERLANDS AS A MARKET
FOR UNITED STATES FARM PRODUCTS*

The Netherlands is one of American agriculture's good customers. Famed for its exports of livestock products and horticultural specialties, the country nevertheless is a large importer of farm products. The population of little more than 10 million people are the consumers of the larger part of these imports, while transit trade or processing and re-export of agricultural raw materials account for a considerable share.

Dutch imports of United States farm products reached unprecedented levels in 1954 when the country took 8 percent of our total agricultural exports, and ranked as our fifth largest market. Our products provided over 20 percent of all Dutch agricultural imports. The Netherlands is a deficit producer of such major United States agricultural export articles as grains, fats and oils and tobacco, and must of course import all its cotton and citrus fruit. Its exports of dairy products, eggs and meats are to some extent produced with the aid of imported feedstuffs.

Economic prosperity in the Netherlands is dependent on a high level of foreign trade, and the country traditionally is in favor of as free trade as is compatible with other aims of Dutch policy. The joint Benelux tariffs are moderate and agricultural imports from the dollar area have been liberalized to the same extent as imports from other European countries, with the exception, it is stated, of those products subsidized by the United States.

General Economic Setting

The Netherlands' economy made an impressive recovery during the decade following the end of World War II. Because of a rapidly growing population, a dynamic, expanding economy is considered essential and is reflected in a rapid growth in gross national product in which industry accounts for an ever-growing share. In addition to its agricultural land, coal and some oil are the only important natural resources that the country possesses. The Netherlands, therefore, must import most of its raw materials and rely on manufacturing industries and commerce, in addition to its agricultural resources, for a high standard of living in this densely populated country.

*By Karen J. Friedmann, Agricultural Economist, European Analysis Branch, FAS.

The geographical location and excellent transportation facilities by sea, river, and canals, as well as rail and roads have been very important factors in making possible the high level of trade that is essential to the Dutch economy.

The foreign trade balance of the Netherlands normally shows an import surplus. The resulting trade deficit is covered by income from shipping and other services as well as income from investments. Carefully guided economic policies coupled recently with a high level of economic activity in Western European countries, the Netherlands' most important trading partners, have contributed to the very strong foreign exchange position of the Netherlands since 1951. As a consequence, the Netherlands has liberalized her foreign trade, also in relation to the dollar area, to a very great extent. The country looks with favor upon moves toward currency convertibility.

The Netherlands is a strong spokesman for international collaboration in the economic field. An outstanding example of regional collaboration is the Dutch participation in the Steel and Coal Community and the gradual merging of the Dutch, Belgian and Luxembourg economies in the Benelux Union of which a tariff union of 1948 was the first major step. Under this union the three countries are now approaching a situation where they act as one rather than three markets.

Types of Agriculture and Agricultural Production

Livestock production is the predominant feature of Dutch agriculture. The rich permanent grasslands of the country are the basis of this livestock industry, but much of the cropland is also devoted to feed crops. Imported feed contributes significantly to the feed supply. The cattle industry is primarily directed towards dairying, and there are large export surpluses of butter, cheese, condensed and dried milk. Eggs and bacon are also important export products.

Grains, potatoes, and sugar beets are major crops, followed by flax and legumes. The famous Dutch horticultural crops claim only small acreages, but make an important contribution to the country's exports, and characterize the landscape in some regions such as the triangle between the Hague, Rotterdam and the Hook of Holland, which is one of the main market-gardening areas of the country. In addition to the natural advantages of soil and climate, and the convenience of location and transportation, the intensive care and high quality standards applied by the producers account for this intensive development. For the same reasons the Netherlands has developed exports of certain seeds, including seed potatoes, and breeding animals.

Dutch farms are small; about two-thirds of the holdings have less than 10 hectares of agricultural land. Production is further handicapped on many farms by fragmentation of the land into several parcels. More than half of the land is operated by tenants, and tenancy is increasing. On the reclaimed land of the new polders where the layout of the farms is carefully planned, farms are being established in single blocks. Very intensive production is practiced, with high input of labor, fertilizers and other production requisites. Consequently, the average Netherlands crop yields are among the highest in the world, as are the milk yields per cow and the lay per hen.

Sufficiency of Domestic Production

The Netherlands is a large importer of important crop products, essential to the country's food supplies. The most significant deficits are registered by grains - both breadgrains and feedgrains - and fats and oils. On an average, roughly one-half of the domestic consumption of these products is imported. Gross imports of grain varied from 1.8 to 2.9 million short tons in the first half of the 1950's. Gross imports of fats and oils, including the oil equivalent of oilseed, ranged between some 275 and 600 thousand short tons. The Netherlands normally imports substantial amounts of sugar, partly to supplement domestic consumption and partly for industrial use in such products as jams, condensed milk and confections for export. While deciduous fruits, apples especially, are exported, citrus fruit and bananas are imported in equally large amounts. In terms of calories, the Netherlands food imports far outweigh the exports, so that the country's food self-sufficiency may be calculated at around 80 percent. In terms of value, food exports greatly surpass imports.

Tobacco production is unimportant. Production of natural fibers consists of wool and flax. Flax production is quite important and has in recent years been around 150,000 - 200,000 short tons. Wool production amounts to some 3,000 tons annually (greasy basis), while imports are five to six times as great. Annual raw cotton imports have recently been around 320,000 bales.

The United States as a Supplier of Agricultural Products to the Netherlands

The Netherlands has for a number of years taken 4 to 5 percent of the total United States farm exports, a percentage which in 1954 jumped to 8. Except for this last year grains and grain products have generally been the largest single commodity group in this trade. Fats and oils, cotton and tobacco are also of great importance, and U. S. shipments of fruits and of hides and skins have been growing rapidly.

United States Exports of Agricultural Products to the Netherlands

	<u>Million Dollars</u>				
	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>
Grains and preparations	51.0	63.0	64.7	40.5	43.1
Cotton and linters	38.0	44.0	29.3	12.9	21.8
Fats, oils and oilseeds	22.0	27.0	34.1	39.1	110.7
Tobacco, unmanufactured	11.0	11.0	16.4	16.6	17.0
Fruits, nuts and vegetables	5.0	6.0	8.0	10.1	19.2
Other agricultural products	<u>7.0</u>	<u>7.0</u>	<u>6.8</u>	<u>14.7</u>	<u>34.6</u>
Total agricultural exports	134.0	158.0	159.3	133.9	246.4

The United States is a large supplier of both wheat and coarse grains to the Netherlands and practically sole supplier of the imported wheat flour - some 75,000 - 85,000 tons annually. The United States share in total Dutch

imports of grains and grain products dropped, however, from over 45 percent in 1950-52 to 33 percent in 1953 and 25 percent in 1954, when Argentina became the largest grain exporter to the Netherlands, more than trebling her 1953 quantity, under a three-year trade agreement signed in May 1954. Canada became the largest supplier of wheat in 1953 and 1954. Dutch grain imports are largely for domestic use, although fairly substantial amounts of wheat flour, corn starch and bakery products are exported.

Liberalization of trade in most fats and oils and attractive United States prices were important factors in the expansion of United States exports of such products in 1954. Linseed oil and cottonseed oil, soybeans and flaxseed, inedible tallow and animal greases were sold in large quantities. Fish oils and lard were also important. A large proportion of these products enter into bonded warehouses upon arrival, and are released later, partly for use in the Netherlands, but largely for shipment to other countries. West Germany was the largest taker of fats and oils from Dutch bonded warehouses in 1954. A continuation of trade at the high level of 1954 is of course uncertain, dependent as it is on the many circumstances which make this transit type of trade possible and advantageous to Dutch traders.

Cotton exports from the United States have fluctuated greatly in recent years, influenced by the slump in the textile industry after the Korean boom, and the subsequent recovery, and also by strong competition especially from Mexican cotton. Raw cotton consumption by Dutch mills in the first half of the 1950's fluctuated between 250,000 and 325,000 bales annually, and the share of the United States cotton between three-fourths and one-fourth of all the mill consumption. The Netherlands, however, also carries on an extensive transit trade in cotton so that United States exports at times may surpass Dutch mill consumption by a substantial margin (re-exports of United States raw cotton amounted to 31,000 bales in 1951-52, and 22,000 in 1952-53). The United States has remained the largest single supplier of cotton.

The value of United States tobacco exports to the Netherlands is growing steadily and the outlook is favorable for continued large sales. The Netherlands is the third largest taker of United States leaf, importing nearly 30 million lbs. annually in 1953-54. American-type blended cigarettes are growing in popularity. The Netherlands is an important center for trade in tobacco from all over the world, having excellent storage and inspection facilities. The bulk of the tobacco shipped to the Netherlands from all sources enters bonded warehouses. While other types of tobacco move on to markets outside of the Netherlands to a considerable extent, almost all of the United States leaf is released for domestic use. Some of the tobacco trade that appears in United States export statistics with a Netherlands' destination is, however, transit trade which does not enter into bonded warehouses.

With the great increase in fruit takings in 1954, the Netherlands became the third largest importer of United States fruits, ranking after Canada (a much larger customer) and Cuba. Oranges accounted for about one-half of the value of United States fruit. Competition with other orange exporting countries is keen, especially with Spain; Israel and South Africa also are

substantial suppliers. Due to a freeze in Spain in early 1954, United States shipments were especially heavy in that year. The Spanish fruit normally dominates the Dutch market during the winter and spring, while California varieties appear in the late spring, summer and fall, Florida fruit during the winter. Before World War II the United States was an important supplier of fresh apples and pears, but Dutch production of deciduous fruit has expanded greatly, aided by limitations on imports, and the country is now a large apple and pear exporter. Exports of dried fruits to the Netherlands have also fallen off. Among the canned fruit products, pineapple and juices are important and have increased recently.

Hides and skins were important export articles in 1954, due mainly to greatly increased takings of United States salted cattle hides. A large increase in total Dutch imports and a decline in Argentine shipments to the Netherlands, as well as favorable prices and improved quality of United States hides, are given as reasons for this development. The trend is expected to continue through 1955. Exports of meat, mainly frozen beef were also quite important in 1954, accounting for nearly two-thirds of the value of all Dutch meat imports; frozen beef was exported to the Netherlands in substantial though smaller quantities in preceding years. There were, furthermore, smaller quantities exported of a variety of products, such as pulses, seeds, honey and intestines.

The Netherlands Exports to the United States

Since World War II the Netherlands has intensified the industrialization of its economy in order to create jobs for its growing labor force. The effort has been very successful. New industries have been developed, for instance in the chemical and metal industries fields, and old ones expanded. Consequently, manufacturing industries account for an ever increasing share of the Dutch national product and of the export trade. While industrial and agricultural products before the war contributed about equally to the total commodity export, agricultural products now account only for a little more than one-third of the export trade. In the trade between the United States and the Netherlands agricultural products still loom large. On the basis of United States statistics for 1954, 46 percent of our imports from the Netherlands were agricultural compared with 59 percent of our exports.

Dutch exports to the United States declined in 1954 from the high level of 1953, due to a large decline in non-agricultural items. In the first half of 1955 there was a further decline, attributable primarily to a decline in the United States takings of canned hams. As a consequence, United States exports to the Netherlands during 1954 were 2.6 times as great as our imports of Dutch products, in early 1955 more than three times as great. It should, however, be born in mind that transit trade via the Netherlands contributes greatly to our exports to that country.

Agricultural Trade Policy

The Netherlands trade policy, in respect of agricultural products, is a complex one, dictated by the sometimes conflicting demands of the country's overall trade policy, its general agricultural policies, and other internal policy considerations, plus the special demands of the Benelux Union.

A nation which needs a high level of trade to sustain a prosperous economy, the Netherlands wants to keep impediments to foreign trade to a minimum. The tariff rates - which are common to the Benelux countries - are therefore moderate, the severe quantitative restrictions of the postwar years have been greatly eased, and trade in agricultural products is in private hands. On the other hand, it is a definitely stated aim of the Dutch farm policy to intervene on behalf of agriculture when necessary to prevent external developments from having undesirable repercussions for the Dutch producers. Thus farm prices will not be permitted to drop below desired levels. Nor will agricultural prices be permitted to rise excessively, since that would jeopardize Dutch agricultural exports and the cost of living in the country. Imports and exports will be watched to prevent extreme price fluctuations from developing.

To ensure a balance of these diverse aims, the Netherlands has for more than two decades relied primarily on a series of Marketing Boards, one for each major commodity group, operated by the industry concerned, but under the auspices of the Ministry of Agriculture. Though the names and composition of the Boards and the scope of their activities have undergone many changes during this period, their basic responsibility remains the same: to intervene if and when necessary in any manner deemed desirable to influence production, marketing or foreign trade, when the price of the products under the Board's control falls below or rises above desired levels. Import fees, export fees or subsidies, purchasing and stocking by associated agencies (not by the Boards themselves) and quantitative restrictions on imports or exports are among the means which the Boards may utilize. Certain decisions by the Boards are, however, subject to approval by the Ministry of Agriculture. In the interest of a smooth flow and high level of trade, the trend in recent years has been towards as little intervention and as much free play of market forces as possible. However, some intervention is always practiced in the agricultural trade sector, and the possibility always exists for further intervention.

In order to make the governmentally-fixed wheat price effective, a certain incorporation of domestic wheat in the flour milled is prescribed and imports are adjusted accordingly by the Marketing Board for Grains. Only in September 1955 was the import of wheat turned over to private trade, the last remaining of the government-traded agricultural commodities. In view of the existing milling regulation and the desire to channel wheat trade in accordance with wheat agreement and bilateral trade agreements stipulations, there is little prospect of liberalization of this trade. In coarse grains, the price goals are approached by means of flexible import fees. Sugar can be imported only by the sugar factories under import license from the Trade Board for Sugar. Most fresh fruits and vegetables, as well as potatoes for food, are also subject to licenses. The freely granted licenses for fruit permitted the great expansion in United States fruit imports in 1954, but the licensing requirement permits potential quantitative restrictions. Nuts can be freely imported. Except for butter, margarine and lard, fats and oils and oilseeds can be freely imported.

Among the livestock products, dairy products are subject to extremely complex regulations. The aim is to maintain a guaranteed minimum milk price to the producer, based on a calculated cost price; a support price for butter,

cheese and skimmed milk powder; and a fixed retail price for liquid milk for human consumption. The regulatory powers in the dairy field are centered in the Marketing Board for Dairy Products. But if dairy products are offered for sale by the producer at the support price (which is a little less than cost price) the Government Food Import Bureau, acting for the Board, is the purchasing agency. If the Bureau has to dispose of stocks thus acquired at a loss, for instance by exporting at a price below the support price, the loss is covered by the Dairy Fund, a fund which derives its income from a variety of levies on producers and importers and government subsidies, when necessary. Apart from this special case, the Marketing Board for Dairy Products controls imports and exports of milk products, butter and cheese. The Board issues import or export licenses for these products and is authorized to attach conditions to such licenses or impose minimum prices.

Regulations concerning meat are far less stringent. The price of most livestock and meat is free but the Marketing Board for Livestock and Meat keeps a certain watch on prices. The meat market is aided by a guaranteed price for bacon pigs and bacon exports under Government auspices. So far as meat imports are concerned, licenses are required for fresh beef and pork, as well as for cattle and pigs. Other meat products can presumably be freely imported. By these and other means the Marketing Board for Livestock and Meat exercises a stabilizing effect on the Dutch meat market.

Production of eggs is highly organized, mainly to insure a high quality product. The Marketing Board for Poultry and Eggs is in charge of regulations concerning hatching eggs. Poultry farms are licensed. The price of eggs is free, but egg imports are subject to licensing.

Most agricultural products not produced in the Netherlands and not closely competitive with Dutch products can be freely imported. Cotton and tobacco are important United States farm products which have belonged to this category since the publication in the summer of 1954 of a common Benelux list of commodities free from quantitative restrictions when imported from the dollar area. (These commodities had been liberalized when imported from other European countries at an earlier date.)

Under the Benelux Union, agricultural products as well as all other commodities should move freely throughout the three countries. No tariffs are applied to commodities traded within the area, but due primarily to the inability of certain sectors of Belgian agriculture to compete with the Netherlands, special arrangements have been made to regulate trade in farm products. Minimum prices are applied to specified Dutch agricultural products when exported to Belgium. It is hoped that such exceptions to free trade within the Benelux Union can be done away with, and Belgium has embarked upon a program designed to result in unification of Benelux agricultural policies by 1962. There is every indication that it is the intention to develop Belgian farm policy institutions which resemble the Dutch, rather than to abandon the latter.

Outlook

The Netherlands is a natural market for many of our farm products. Grains, cotton, tobacco, fats and oils, and citrus fruit supplement Dutch domestic production for domestic needs. Furthermore, with the Netherlands' great facilities for international trade, her well-established processing industries and convenient location for transit trade to much of Europe, the prospect appears good for continued substantial exports of our farm products, not only to the Netherlands but also by way of the Netherlands to other countries. Even so, the very high level of trade in 1954 may not be maintained since the circumstances which made the extraordinary expansion in fats and oil trade possible may not continue. Certainly, if dollar liberalization in other European countries is extended, the basis of some transit trade will disappear. There is nevertheless a lasting basis for a high level of trade, provided our products remain competitive, in the Dutch need for many of our products, in the established Dutch pattern of trade and processing of agricultural raw materials, and in the expansive character of the Dutch economy.



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October 27, 1955

Panamanian Policies Affect Trade*

Governmental policies inaugurated early in 1953 continue to shape the economy of Panama. The principal aim of these policies seems to be domestic production of all commodities needed in the country. Increasing financial stability was reflected by the decreasing floating debt of the Government in 1954. On the whole, generally satisfactory economic conditions now prevail in Panama, with most segments of the economy indicating improvement over those of a year ago.

Background Factors

Although the per capita income of Panama's 890,000 people is estimated at less than \$400 per year, it is probably the fourth highest in all of Latin America. More than 90 percent of the reported agricultural production comes from about one-third of the total area that lies on the Pacific watershed between the Canal Zone and the border with Costa Rica. Traditionally Panama has exported bananas and cacao and imported foodstuffs for its city population. Rice, wheat flour, and fats and oils have been the principal import items, obtained largely from the United States. Increased production of rice, however, has made Panama practically self-sufficient in this item. The value of imports far exceeds that of exports; in 1954 the value of imports of almost \$73 million was more than four times the value of exports that year. A balance of payments is achieved from tourist expenditures and Canal Zone activities. In fact, the economy of the Republic is dependent to a large degree on the Canal.

Agriculture

The principal commercial crops are bananas, cacao, coconuts, and abaca. Bananas, cacao, and abaca were developed largely by foreign capital. Exports of principal items for selected years are shown in Table 1.

* Prepared for publication by Kathryn H. Wylie, Agricultural Economist, Latin American Analysis Branch, based largely on Embassy reports.

Table 1.--Exports of principal agricultural items
from Panama, selected years

	Unit Volume	1935-39		1953		P 1954	
		Volume	1000 dollars	Volume	1000 dollars	Volume	1000 dollars
Bananas <u>1/</u>	1,000 stems	5,838	2,550	4,689	8,000	5,700	9,900
Cacao	1,000 pounds	10,622	1,343	4,125	2,908	n.a.	n.a.
Coconuts	1,000 nuts	6,912	972	2,570	128	n.a.	n.a.
Abaca	1,000 pounds	0	0	5,694	2,269	n.a.	n.a.

1/ Number of stems reported.

P Preliminary

The banana industry is by far the largest agricultural enterprise in the country and accounts for approximately 10 percent of the Government's ordinary revenue. The outlook in this industry is optimistic. Production in the Bocas Del Toro area probably will continue to increase during the coming years, while a slight decline will occur in the Chiriqui production as some land in that area will be returned to fallow. Total production, however, from both areas should increase over that for 1954.

Wartime needs for abaca stimulated expansion of production of this crop for export and commercial shipments of fiber began in 1942. The industry has been declining in recent months.

The principal food crops grown in the Republic include rice, corn, yuca, plantains, sugar, and beans. The rural population usually produces enough for its own needs, but despite increased production, imports of many items are still needed for the city populations. During the past year corn, coffee, livestock, poultry and eggs, sugar, and a number of vegetables and fruits reached production figures ahead of achievements of the preceding year. In some instances self-sufficiency was more than exceeded and a problem of exportable surplus was encountered. Generally, however, increased output was channeled into domestic consumption, including the Canal Zone market. In other instances, expected production was not achieved and the Government was obliged to revert to permitting imports during periods of scarcity.

Rice production in 1954-55 reached a total of approximately 250 million pounds compared with only 73 million prewar, and sugar production of about 20,000 short tons was four times the prewar figure. Production of cacao, on the other

hand, was only a third that of the earlier period, and coffee production has been declining. Increased coffee plantings are being made, however, in the hope that exports will be possible.

Relationship to the United States

Close political and economic relations are maintained between Panama and the United States. Normal Hemispheric ties are strengthened because of the strategic value of the Panama Canal to both countries. The United States takes most of Panama's exports and supplies the principal part of its import needs. The principal agricultural items in United States trade with Panama are as follows:

Table 2.---Value U.S. exports to Panama of principal agricultural products, 1952, 1953 and 1954

	1952	1953	1954
	1000	1000	1000
	dollars	dollars	dollars
Vegetables & preparations)	2,600	1,411	1,274
Fruit & preparations)		1,021	1,013
Lard	1,000	1,015	1,850
Wheat flour	1,200	937	1,050
Other grains & preparations	1,200	893	1,058
Dairy products	900	819	973
Meat and meat products	700	677	562
Vegetable oils and fats	500	630	854
Eggs, shell)		223	96
Beverages)	1,000	197	47
Other agricultural products)		813	673
Total agricultural	9,100	8,636	9,787

Table 3.---Value U.S. imports from Panama of principal agricultural products, 1952, 1953 and 1954

	1952	1953	P 1954
	1000	1000	1000
	dollars	dollars	dollars
Bananas	5,500	9,285	10,922
Cacao	1,900	1,452	2,647
Abaca	2,300	1,313	468
Other agricultural products	200	611	472
Total agricultural	9,900	12,661	14,509

P-Preliminary

Government Policies

Agricultural

Having determined upon a policy of self-sufficiency, the Government prepared in 1953 to implement it. Two Government organizations primarily concerned with agricultural development of the country began operations in 1953: The Institute of National Economic Development (IFE), and the Agricultural Extension Service. IFE was created by Law No. 3 of January 30, 1953 with the combined resources of three Government banks then in existence. The IFE has given attention to assistance in connection with production, marketing or pricing of rice, sugarcane, potatoes, tomatoes, coffee, and milk; and to development of a program of agricultural loans. It has also arranged loans from the International Bank for Reconstruction and Development for the purchasing of agricultural machinery and equipment and for the erection of grain storage facilities.

One of the principal functions of the IFE is in price support activities. Actual price support for national industry precedes Law No. 3 setting up the IFE, but such support in the past was limited to rice and domestically-produced salt. The present authority of IFE to maintain prices is contained in Article 3 of Law No. 3 which provides:

"To establish support prices for national production of agriculture and cattle. In determining these prices, the fundamental objective will be the development of national production. The Management of the Institute for Development will fix support prices with the advice of the technicians of the Ministry of Agriculture, Commerce and Industries, of the legally constituted agricultural and cattle associations, and of the Office of Price Control. For the purposes indicated in this section, IFE will purchase such products in order to effectuate their resale at wholesale, or for their exportation in the event that private capital is unable to maintain, through its purchases, price support levels throughout the Republic."

Currently, the IFE is maintaining floor prices for salt, rice, coffee, corn, and coconuts or copra. The addition of coffee to the list occurred during the second semester of 1954 when coffee from the 1954 harvest was purchased at an average of \$58 per quintal (approximately 100 pounds). In March of 1955 IFE apparently was having difficulty in disposing of it without suffering a loss on the program.

The price support for rice seems to have grown out of action by the Banco Agropecuario e Industrial in 1947. The Institute purchased approximately 120,000 quintals of rice from the 1953-54 harvest at .6 per quintal for first grade and .55 for second grade rice. Toward the close of 1954 the Institute supported corn at .3 per quintal, although this was under the price currently quoted by private dealers. Floor prices for copra were set during 1954 and the IFE agreed to purchase all the copra offered at the floor price, even if the world price was lower.

The Office of Price Control maintains ceiling prices on those items being protected by floor prices and/or increased tariff duties in order to keep down the cost of living. Prices of foodstuffs decreased somewhat in 1953 and 1954 below the level of 1952.

Future development of a national price support policy in Panama probably will be geared to the basic policy of Government to increase domestic production, eliminate imports of certain products, and control prices. The continuance of IFE in its present trend toward providing floor prices for essential domestic industries is likely to expand and cover other commodities not presently included in its program.

The new Agricultural Extension Service provided for by Law No. 43 of November 26, 1952 began operations in January of 1953. Since then extension work has been intensified and Extension Agents as well as Home Demonstration Agents have been sent to the field to assist in improving farming techniques and living conditions.

Other aids to agriculture during the past two years have included a Government loan for farm-to-market roads, encouragement to private banks to make agricultural loans, adoption of means to prevent the introduction of aftosa into Panama, the regulation of farm cooperatives, assistance to cacao growers, establishment of a chain of weather stations, the initiation of a soils study, the opening of a hatchery at Chitre, an increased tax on cultivable land not actually in cultivation to encourage use of idle lands, promotion of livestock production, and cooperation in the technical assistance program through the Servicio Interamericano de Cooperacion Agricola (SICAP).

Trade

Numerous actions have been taken to stimulate domestic agricultural and/or livestock production and to protect national industry against foreign competition through the use of higher import duties and other import controls. Particular action was taken with respect to edible fats and oils, certain vegetables and fruits, coffee, copra, newly-hatched chicks, and beef cattle, which either raised the import duties to high levels, completely prohibited imports, controlled exports, and/or prohibited exports.

During 1953 imports of tanned hides and skins that competed with domestic production were prohibited; imports of tallow in all forms were prohibited; potato imports were prohibited except for three stipulated periods during the year; imports of eggs and poultry for human consumption were prohibited with the understanding that limited imports would be permitted from time to time in the interest of consumers; import duties were increased sharply on tomatoes and tomato products, as were the duties on those hides and skins that could be imported at all. Feed for poultry and livestock was removed from the duty free list and provided with ad valorem duties.

Resolutions of the official Office of Price Control during 1954 offered encouragement to agriculturists by prohibiting the importation of red peppers, tomatoes, fresh strawberries, strawberry preserves, coffee, fresh cabbage and lettuce; and by prohibiting for 60 days the importation of carrots.

The importation of newly-hatched chicks was controlled and the exportation of beef cattle was prohibited. At the end of 1954 the cattle export policy gave rise to a difference of opinion as between the Office of Price Control and the Institute for Economic Development, with the former of the opinion that cattle herds were sufficiently large to permit exports, and the latter tending to express doubt that such was the case. Some limited cattle exportation, nevertheless, was effected under authorization of the Office of Price Control.

The year 1954 opened with the report that import duties on edible fats and oils would be raised in order to protect domestic industry. During the year several actions were taken, including the passage of Decree Law No. 18 sharply increasing the duties on fats, edible oils, soaps and detergents, and the prohibition of imports of edible oils. Opposition developed with regard to the tariff policy, however, and during recent months an extensive campaign has been waged in the press by opponents of the high tariff policy against increased import duties on edible fats and oils. Despite the increased restrictions on imports, the United States sent to Panama in 1954 more agricultural products than in the previous year (see Table 2).

Outlook

To the extent that the Panamanian program of agricultural self-sufficiency is successful, it may be expected sooner or later to work against the bulk of the agricultural and livestock products that in recent years have been exported to this market by the United States and other supplying nations. To the extent that the program is successful in promoting domestic production and in reducing imports of competing products, the buying power (in terms of foreign exchange) formerly exported in payment for these particular imports would be retained at home and presumably strengthen the buying power of Panama. The Panamanians, therefore, should increase their demand for manufactured products they previously were unable to buy to any large extent. In this manner then, the program eventually should work for increased imports of manufactured and semi-manufactured products that cannot be produced economically in Panama. Assuming that the United States maintains its priority position in the Panamanian market, the foregoing should mean larger United States exports of industrial products to this market. If the present policies continue, the only hope for benefit to United States agriculture would be indirectly through possible increase in demand for farm products from the urban and industrial centers in the United States.

Grains

Rice production in Panama has increased and imports have declined sharply in recent years. The belief is that Panama has reached the point of self-sufficiency, but that it will not be a serious competitor in the general rice export field.

Wheat flour has been a substantial import item for Panama. The country cannot produce wheat economically (with presently known techniques and conditions) so that the prospects are for continued and possibly increasing imports. There is talk, however, about the possibility of establishing a flour mill in

the not too distant future. In this case the import market for flour would be liquidated, and United States exporters of grain wheat probably would find it difficult to compete price-wise in this market with competing suppliers.

Fats and Oils

The United States has had virtually all the Panamanian market for lard for some time. Increased domestic hog production is not now expected to reduce imports of lard in the years immediately ahead. The United States in recent years also has dominated the Panamanian market for vegetable oils. The re-opening of the vegetable oil factory during 1954, however, the increased duties on fats and oils, and the prohibition of imports of edible fats and oils during the year all encourage increased local production of vegetable oils. The outlook is uncertain, therefore, for imports of all edible fats and oils. The future will be influenced by the local attitude toward tariff protection, the price policy of the local oil factory, and the adequacy and prices of raw material supplies to the factory.

Dairy products

Panama thus far is on a fairly heavy import basis for butter, but United States butter has filled only a small share of these imports. The size of the United States butter market in the years immediately ahead will depend largely upon the expansion of the local dairy industry, the competitive position of United States butter prices, and the extent to which margarine cuts in on this market.

Processed milk has been an important import item into Panama. Local production has increased dramatically, however, rising from 3.4 million pounds in 1952 to 5.5 million pounds in 1954. Imports are expected to continue to decline over the next few years. The domestic market has been able to absorb the output of this industry to date with some possibility that sales can be made to the Canal Zone in the near future.

General

Despite moves by the Government to protect national industry through the creation of high import duties and prohibitions of imports of certain items, the total value of imports increased in 1954 over that of a year earlier. Some of the imports represented raw materials for processing in industrial units created as a result of the growing tariff wall. Increased European and Asiatic imports were noted as strong efforts were made by those areas to enter the Panamanian market. Particularly noticeable were imports of cotton textiles from the Asiatic area. These trends may be expected to continue over the next few years, with raw materials for industry taking the place of formerly large agricultural import items.

Exports likewise indicated a healthy increase in 1954 over those for the previous year. New nearby markets were tapped as Panama exchanged shipments of sugar for corn with Venezuela. A trade agreement with Ecuador reportedly will facilitate the exchange of farm products from Ecuador for cement from Panama. Other features of the agreement were those related to the disposal of

sugar by Panama on the Ecuadoran market and the possibility of Panamanian contractors bidding on Ecuadoran highway projects. Results of this agreement will be felt in the coming year. The new treaty between the United States and Panama will make inoperative the provisions of the "Buy America" act with respect to Canal Zone purchases of articles produced in the Republic of Panama itself. This new policy will enable Panama to increase its sales to the Zone.

Several trade missions have visited Panama looking toward increasing the trade of their countries in that Republic. These have included an Agricultural Trade Mission from the United States as well as visitors from Germany, Britain, and Japan. The next few years may see greater diversification of Panamanian trade among the countries of the world.



FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D. C.

FATP- 39-55

October 31, 1955

U. S. DEPT. OF AGRICULTURE
DENMARK ANNOUNCES FURTHER TRADE LIBERALIZATION
OF U. S. AGRICULTURAL PRODUCTS

The Government of Denmark published on September 30 a list of items which are to be added to the general free list, i.e., the list of goods which may be imported without licenses from dollar countries as well as from European Payments Union countries (See list No. 1). The new list includes such important agricultural commodities as rice, soyabeans, undressed hides and skins, and oilcakes. These and the other items to be added to the general free list have already been liberalized for E.P.U. countries and, for most items, licenses have been granted quite readily for import from the dollar area. It is expected that this new liberalization will be made effective early in November.

With regard to items not to be liberalized, it is a general policy of the Danish Government to license imports from the dollar area of commodities which are on the E.P.U. free list but not on the general free list whenever the landed price of dollar goods is about 5% less than that of the E.P.U. goods. There are exceptions to this general policy.

In two previous steps, Denmark had liberalized approximately 38 percent of dollar imports, based on private imports in 1953, including important U. S. agricultural exports such as cotton, tobacco, hops, and oilseeds. (See list No. 2). The new list of items to be liberalized now provides for the expansion of free dollar imports to about 55 percent.

In addition, on June 30, 1955, the Danish Government announced a decision to permit, after November 1, 1955, the importation of raisins from the dollar area. Although import licenses will still be required, such licenses are to be issued freely without quantitative limitations.

The following lists are translations of items to be liberalized and items liberalized in the past which may be of interest to U.S. agricultural producers.

List No. 1. Items to be Liberalized for Import from Dollar Area
in November 1955

<u>Commodity</u> <u>Number 1/</u>	<u>Commodity</u>
0101	Horses
ex 0103	Breeding cattle
0104	Casings
0308	Alfalfa flour
ex 0397	All other commodities in the main group (03) not mentioned elsewhere (for example, ripe pulses) except buckwheat
0398	Molasses for feed and so-called mangel pulp, mangel pulp, tariff No. 313; all kinds of oilcakes, oilcake expellers, pellets and meal, all kinds of rye and wheat bran (including pollards and middlings) and all other feedstuffs in the main group (03) not mentioned elsewhere, tariff No. 59, including for example rice flour for feed, malt sprouts, dried yeast, so-called feeding salt stone, vitamin preparations and similar feed mixtures.
0399	Bone meal, tariff No. 9, meat and blood meal of all kinds, tariff No. 41c.
ex 0507	Seed potatoes
0517	Tomato paste packed in quantities of 5 kilograms or more.
ex 0530	Dried vegetables in blocks, plates, etc. which do not come under any other commodity number, tariff No. 139g; also garlic.
0611	Unshelled and unpolished rice
0615	Broken rice
ex 0616	Rice, except in retail packings
0803	Vegetable spinning materials which do not come under any other commodity number.
1026	Wrappers of jute, flax and hemp
ex 1212	Uncleaned feathers, tariff No. 58a.
ex 1214	Undressed and dressed hides and skins, tariff Nos. 58b and c, 294 and 296, except parchment
1217	Undressed hides and skins, tariff No. 295
1811	Soy beans

See footnote bottom page 3

List No. 2. Items Previously Liberalized for Import from Dollar
Area

<u>Commodity</u> <u>Number</u> <u>1/</u>	<u>Commodity</u>
0105	Calf stomachs
0391	Early red clover
0392	Alsike clover
0393	Late red clover, white clover, perennial rye grass, Italian rye grass, meadow fescue, brome, orchard- grass, blue grass (pea trivialis), mangel, swede, half-sugar mangel, sugar beet, and turnip.
ex 0394	Other field seeds, including flax seeds
0395	Garden seeds
0396	Forest seeds and other seeds not included under any other commodity number
0512	Hops and hops extract
ex 0525	Sweet chestnuts, tariff No. 69
0610	Raw tobacco (tobacco leaves and stems), tariff No. 318
0801	Wool and hair of animal origin and its spinning waste; also yarn waste of other animal spinning materials than silk, tariff No. 155
0802	Cotton and cotton waste from the carding, incl. cotton yarn waste
1213	Horsehair
ex 1220	Honeycombs
1427	Castor oil, peppermint oil, anise oil and eucalyptus oil
ex 1429	Turpentine and resin, natural and synthetic; and similar moulding materials, pulverized, granulated, etc.- all under tariff No. 94
1438	Olein and yolk (wool fat)
1439	Degras and train oil lye, neat's foot oil, animal leather oil and marrow oil
1443	Vegetable turpentine oil
ex 1445	Oils of rosemary, pepper, resin and other similar vege- table oils, tariff Nos. 261-262, not included under any other commodity number
ex 1810	Palm nuts, coconuts, peanuts and other fruits for oil extraction (including seed for oil pressing)
1818	Vegetable tanning materials and extracts
2107	Fertilizers (except superphosphate, commodity No. 2101, and nitrate of soda, commodity No. 2106)

1/ The numbers which appear beside each item or group of items on the two lists are the commodity classification numbers established by the Board of Supply, the Danish Government agency administering import-export control regulations. The mark "ex" in front of a commodity number indicates that the items listed do not constitute all the goods included under that commodity number.

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FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D.C.

FATP 40-55

DEC 23

November 28, 1955

Food and Agriculture Situation in Mexico 1/

Mexican production of corn and beans in 1955 will equal the large 1954 output, according to present indications. The outlook for 1956 is for a record production of irrigated crops, principally cotton, wheat, and winter vegetables. Drought and floods in 1955 had adverse effects on livestock and certain crop production, particularly the orange and coffee crops in Veracruz and the banana crop in Tabasco. Consumption during 1955 of grains, pulses, vegetable oils, dairy and poultry products, sugar, and fibers has exceeded the 1954 level. On the other hand, declines are reported in the intake of vegetables, fruits, and meat.

Great extremes of rainfall were experienced by Mexico in 1955. During the first half of the year a severe drought prevailed even in districts that normally receive adequate precipitation throughout the year, such as the states of Veracruz and Tabasco. Since the first week of July weather conditions have been characterized by excessive rains and floods brought about by a number of tropical hurricanes that hit the Gulf and Pacific coasts. Many areas were still flooded by the beginning of November, particularly in the states of Veracruz, Tabasco, and Michoacan. Strong winds and floods caused serious damage to bananas, corn, beans, and other crops in the affected areas. On the other hand, the abundant rains greatly benefited crops in some districts that are normally deficient in rainfall throughout the year, such as the central arid region. Corn and bean yields in these regions are normally low because of deficient rainfall but this year reports indicate that yields will be excellent. Storage dams throughout the country are filled with water, which will mean a good supply of water for irrigated crops in 1956.

Import needs for wheat before the harvest begins in April are estimated at 120,000 metric tons (4,409,160 bushels), somewhat above last year's total, but considerably less than during the previous year. Fats and oils imports in 1955 were reduced below the level of the previous year and forecasts for 1956 indicate that imports in 1956 will not exceed those of 1955 2/. Imports of dairy products are expected to be no larger than the reduced figure of 1955.

On the export side, cotton is the principal item. The export surplus from the current crop probably will reach 1.7 million bales. Coffee exports, on the other hand, may decline.

1/ Prepared for publication in the Latin American Analysis Branch.
2/ See Table 1.

Grains

Supplies of grains in Mexico during 1955 were abundant as a result of large crops of corn, rice and oats harvested during the fall of 1954 and of wheat during the spring of 1955. The 1954 corn crop was the largest since the present crop estimating agency of the Ministry of Agriculture was established in 1925. This large corn production has made it possible for the country to supply its consumption requirements during 1955, export some quantities, and end the year with approximately 300,000 metric tons (11,022,900 bushels) of corn from the 1954 crop.

The size of the crop to be harvested this fall will depend largely on whether or not there is damage by frost during the next few weeks. Most of the crop will be harvested during November and December and the outlook thus far is for a production as large as that of 1954. Present indications are that the damage done by the drought during the first half of the year and the hurricanes and floods during July, August and September, will be offset by excellent yields in central and northern states such as Durango, Zacatecas and Aguascalientes. A large proportion of the crop is usually lost due to drought in these states but the abundant rains this year will result in a large production, unless there is serious damage by frost. Should a crop of about 4,000,000 tons (146,972,000 bushels) materialize, the country will be able to supply its requirements during 1956 without the need of imports.

The 1954-55 wheat crop is estimated as approximately equal to the 1953-54 production of 825,000 metric tons (30,312,975 bushels). In view of the low stock situation at the beginning of the crop year and the steadily rising consumption requirements, however, it is estimated that about 120,000 metric tons (4,409,160 bushels) will have to be imported before the 1955-56 harvest begins in April 1956. Imports before the end of 1955 are estimated at about 25,000 metric tons (918,575 bushels) to supply mainly the districts farthest from the centers of domestic production, such as the Peninsula of Yucatan and parts of Lower California. It is expected that the remainder of the requirements will be imported during the first three months of 1956.

The large 1954 production of rice has been sufficient to meet consumption requirements during 1955 and leave an exportable surplus estimated at about 22,046 short tons. The 1955 crop now being harvested is expected to exceed the preceding crop and to add to the existing surplus. The present outlook is for a crop of about 198,414 short tons which would leave a surplus of about 27,557.5 short tons for export. Although permits were granted to export rice during 1955 no shipments abroad have been reported thus far because prices in the world market were considered unfavorable. Growers indicate that permits will be requested for exporting about 49,600 short tons, rough basis, in 1956.

Production of barley in 1955 was lower than during the preceding year and no exports are anticipated. Normally the country imports some quantities of brewers' barley and exports some feed barley. Imports in 1955 are estimated at about 11,000 short tons.

Mexico is normally self-sufficient in oats except for some imports of hulled oats, which in 1955 are estimated at about 2,200 short tons, hulled basis. Some exports of feed oats are made when there is a surplus. Total exports in 1955 are estimated at about 8,800 short tons.

Pulses

Beans are one of the most important components of the Mexican diet. The country produces a large variety of beans and there are strong regional preferences for certain varieties. The country is normally self-sufficient with respect to beans but relatively large imports were necessary from 1951 to 1954 to supplement domestic production. The large 1954 crop has been sufficient to supply consumption needs during 1955 and allow exports of about 11,000 short tons. It is estimated that there will be a carryover from that crop by the end of 1955 of about 55,100 short tons, the largest in many years.

The outlook for the 1955 crop is for approximately the same quantity as in 1954, barring frost damage. Higher than normal yields are expected in northern Guanajuato as well as in Zacatecas, Durango, Chihuahua, and Chiapas, which it is believed will offset losses due to rains and floods in Michoacan, Jalisco, Veracruz and Tamaulipas. In view of the large stocks still remaining from the 1954 production, it is expected that beans will be in abundant supply during 1956 and that there will be a surplus of about 44,100 short tons available for export.

About 70 percent of the production of chickpeas in Mexico consists of non-food types used largely for the feeding of hogs. Production of these types has risen steadily in recent years. Part of the production of food types is normally exported. Of the relatively large total production in 1955 of 110,200 short tons, it is estimated that 77,200 short tons will be used as feed, 16,500 short tons will be exported and the remainder consumed within the country as food.

Other pulses produced in Mexico include horse beans, dry peas, and lentils. Foreign trade in these pulses is negligible.

Vegetables

The most import vegetables in the Mexican diet are tomatoes and potatoes. Other vegetables consumed in significant quantities include sweet potatoes, peppers (including hot chiles, both green and dry), onions, garlic, and peas. Supplies of these vegetables during 1955, although somewhat lower than in 1954, have been adequate to meet consumption requirements.

Mexico is an exporter of fresh vegetables during the winter season to the United States and Canadian markets. Exports during the 1954-55 season amounted to 61,200 short tons of tomatoes, 3,100 short tons of green peas, and 2,900 short tons of green peppers, or a total of 66,800 short tons. These were the lowest exports in many years and compare with 106,800 short tons exported in 1953-54 and 145,600 short tons in 1952-53. Unfavorable weather and low prices in the export market accounted for the sharp decline in exports during the 1954-55 season.

According to information received from the American Consulate in Nogales, a much larger area has been registered with the farmers' association for planting winter vegetables in the West Coast of Mexico this season. It is reported that if the entire area registered is planted exports during 1955-56 may reach 12,000 carloads or approximately 132,300 short tons. The Confederation of Agricultural Associations of Sinaloa is forecasting total exports at from 7,500 to 9,500 carloads. It is very difficult, however, to forecast the exportable production at this time since unfavorable weather conditions during the season may

reduce yields considerably. Furthermore, the market situation is also an important factor in the actual quantity produced for export since it may encourage or discourage replantings. All reports agree, however, in that the area planted will be larger than last season. The export season normally extends from November through May but this year planting was delayed by the excessive rains and shipments are not expected to start before the middle of December.

Some quantities of onions and garlic are also exported from Mexico. In 1955 these exports are estimated at about 6,700 short tons of each of these vegetables, approximately the same as in 1954.

Fruits

Mexico produces a wide variety of fruits, including deciduous, citrus, and tropical fruits. The most important from the point of view of total production are bananas, oranges, limes, and pineapples. Supplies of bananas and oranges, the two most important fruits in the Mexican diet, were at a low level in 1955 compared with 1954. The decline in supplies was due to the effect on production of the severe drought which prevailed in the producing districts during the first half of 1955. Fruit exports consist principally of bananas and pineapples. While exports of pineapples in 1955 are estimated at approximately the same level as in 1954, those of bananas were about 30 percent lower.

The tropical hurricanes that hit the Gulf Coast of Mexico during the month of September 1955 seriously affected banana plantations. A study recently completed of the damage to banana trees indicates that about 60 percent of the mats were destroyed by the winds and 20 percent by the floods. Leaves on the remaining 20 percent were also affected by the winds and production during the next few months will be at a very low level. It is expected, however, that new plants will start producing by April 1956 and that yields per mat will be higher due to the beneficial effects of the floods on the soil. Production in 1956 cannot be forecast yet. The 1955 crop is estimated to be 20 percent below the preceding year but the decline is due principally to the drought during the summer months and to a smaller number of mats in production. The destruction of trees by the hurricanes did not have a great effect on total 1955 production since the output during the last quarter of the year is normally low.

Fats and Oils

Production of all fats and oils in Mexico in 1955 is estimated only slightly above the 1954 production. There was an increase in the production of vegetable oils and of lard but this was almost entirely offset by a decline in tallow production. Imports were at a lower level than during the preceding year, particularly in the case of lard and vegetable oils. Total supplies available for consumption in 1955 were approximately 3 percent lower than in 1954.

Imports of fats and oils during 1955 are estimated at 36,850 short tons, consisting largely of tallow, lard, and cottonseed for planting. The forecast for 1956 is for imports of about the same magnitude. Lard imports have been at a much lower level than in 1954, the decline being attributed to pressure on the part of processing plants that prefer imports in the form of tallow and cottonseed oil. Imports of lard continue to be made exclusively by CEIMSA, the semi-governmental agency in charge of regulating supplies of basic foodstuffs.

Exports of fats and oils consist almost entirely of peanuts that go largely to the United States and Canada. The larger import quota for peanuts in the United States made it possible for Mexico to increase greatly its shipments to this market in 1955. The outlook for 1956 is for approximately 35,000 short tons of exports.

Meats

Meat production in Mexico during 1955 was considerably lower than in 1954 as a result of the severe drought which prevailed during the first part of the year and the excessive rains and floods since the month of July, which resulted in heavy losses of livestock and also made it difficult to move animals to slaughterhouses. Total production of meat in 1955 is estimated at 563,200 short tons, 8 percent lower than in 1954. There was an increase of about 4 percent in pork production but this was more than offset by a decline of 12 percent in the production of beef, and some decline in mutton and goat meat production.

At the present time pastures are in excellent condition throughout the country but herds are depleted as a result of losses due to the drought and the floods. Cattlemen of the state of Sonora, one of the leading cattle exporting states, have a program for repopulating their ranges by importing 100,000 cows and heifers and 10,000 bulls from the United States but they require financing in order to be able to complete the importation.

The quota for exports of cattle and beef from Mexico during 1956 has not been announced as yet by the Ministry of Agriculture, but in view of the shortage now prevailing it is believed that it will be lower than the 331,000 head (including both cattle on the hoof and meat) which were authorized in 1955. Of the total quota for 1955, 215,000 head of live cattle had been exported by the end of September. In addition, it is estimated that exports of beef through October 10 represented 56,000 head of cattle, which would make a total of 271,000 head against the quota of 331,000 head.

Other Livestock Products

It is estimated that an increase of about 6 percent took place during 1955 in the production of milk in Mexico. Consumption of milk per capita is still at a very low level, but imports continue to be restricted by the government as a result of pressure from local dairy producers. Except for some quantities of evaporated and condensed milk imported into free border zones, the most important milk product imported by Mexico for the past few years has been nonfat dry milk solids. These imports were used by bakeries, candy manufacturers, and other industries, as well as for reconstituting. Government restrictions during the past two years have resulted in a decline in the use of milk by food industries as well as in a reduction in the volume reconstituted.

Imports of nonfat dry milk solids in 1955 are estimated at somewhat less than the 3,207 short tons imported in 1954. These imports compare with 8,800 short tons imported in 1953, before the government restrictions went into effect. The outlook for 1956 is for an increase of about 5 percent in total milk production and continued restrictions on imports.

An increase of about 12 percent is estimated to have taken place in egg production in Mexico during 1955 compared with 1954, and a similar increase is forecast in 1956. A considerable reduction in imports of eggs took place during 1955 as more abundant supplies from domestic production became available.

Fibers

Cotton production has expanded very rapidly in Mexico during the past decade. Production in 1955 is estimated to be about 80 percent larger than the output in 1950 and almost five times the quantity produced in 1945. Exports during this period have increased almost in the same proportion as production, since there has been little increase in domestic consumption. The quantity exported in 1954 was 60 percent larger than in 1950 and more than five times the average annual exports from 1945 to 1948. During the 1954-55 marketing year domestic consumption represented less than one fourth of production and the same situation is forecast for 1955-56. Exports of cotton have represented more than one fifth of the value of all merchandise exports from Mexico during the past five years and in 1954 this proportion reached 29 percent. Cotton exports are therefore of crucial importance to Mexico in its balance of international payments.

The 1955 cotton crop is now estimated at 2,100,000 bales, compared with a 1954 crop of 1,780,000 bales. Production in Matamoros and the Laguna Region was larger than estimated earlier in the season but this increase was partly offset by declines in the west coast as a result of floods. Although this output represents a record, the proportion of low grades in total production this year is abnormally high. Usually from 75 to 80 percent of the Mexican cotton crop is middling or better but reports this year indicate that no more than half will be of these higher grades. The decline in grade has been due to the rains and floods during the latter part of the season. The exportable surplus is estimated at 1,686,000 bales.

The deterioration in the price of cotton during the current season will affect greatly Mexico's dollar receipts from exports of this commodity. The average price at Torreon for Middling 15/16 during September 1955 was 20 percent lower than during the same month of 1954 and a much sharper decline took place in the price of lower grades. In view of the unusually high proportion of lower grades this year, the average price received for the crop will be considerably below the preceding season.

Other Products

There has been a rapid increase in Mexico's sugar production during the past few years. The 1954-55 output is now estimated at the record level of 1,041,000 short tons, 8 percent larger than in 1953-54 and almost two and a half times the 1944-45 production. Although domestic consumption has also expanded rapidly during the past decade, the increase in production in recent years has been more than sufficient to meet consumption requirements and a surplus has accumulated. Exports are limited by the International Sugar Agreement and by the United States quota. As a solution for its mounting sugar stocks, Mexico has been making efforts for the past two years to obtain an increase in its quota in the United States market.

The outlook for 1955-56 is for an even larger production. Present indications are that a total of 1,063,000 short tons of centrifugal sugar will be produced.

A decline of about 12.5 percent is expected in the production of coffee in Mexico during 1955-56 due to adverse weather conditions in the state of Veracruz. Consumption of coffee in Mexico has declined in recent years as a result of the high prices that have prevailed for this commodity. The mixing of sugar, cereals and other coffee extenders has increased with the rise in prices. Exports from the 1955-56 crop are forecast at 1,200,000 bags of 60-kilos each, 15 percent lower than during 1954-55 but approximately equal to 1953-54.

Cacao production has increased steadily in Mexico during the past few years. It is difficult to forecast at present the 1955-56 crop because reports of damage caused by recent floods are still incomplete. The crop normally begins in October, but it is unlikely that there will be any significant production this year until April. Growers are hopeful that the summer crop will be heavy and that total production in 1955-56 may equal the 1954-55 output of 12,100 short tons. Exports were relatively heavy during the first half of 1955 but came to an end in July when flood conditions became serious.

A program for promoting the expansion of cacao production in Mexico has recently been started, sponsored jointly by the American Cacao Research Institute and a Mexican organization known as Fomento de Cacao, S. R. L. Sponsors of the program believe that a considerable increase in the country's cacao production is possible during the next few years.

Mexico is self-sufficient with respect to tobacco except for some imports of light leaf from the United States. Imports during 1954 were unusually heavy but have declined during 1955. The decline is attributed to a drop in sales of the better grades of domestic cigarettes, which are the ones containing imported leaf, since the price of cigarettes was increased in December 1954. The trade is of the opinion that, as the public becomes accustomed to the higher prices for cigarettes, sales of the better grades will increase and imports will be resumed.

See also FATP 5-55 of March 31, 1955

Table 1. Mexico: Trade in Principal Agricultural Products, 1954 Estimate 1955

	<u>1,000 Short Tons</u>			
	Imports		Exports	
	<u>1954</u>	<u>1/1955</u>	<u>1954</u>	<u>1/1955</u>
Corn	160	<u>2/</u>	<u>2/</u>	44
Wheat	68	27	<u>2/</u>	0
Beans	21	6	<u>2/</u>	11
Vegetable oils	14	2	<u>2/</u>	<u>2/</u>
Lard	11	6	<u>2/</u>	<u>2/</u>
Tallow	31	28	<u>2/</u>	<u>2/</u>
Milk <u>3/</u>	35	33	<u>2/</u>	<u>2/</u>
Cotton <u>4/</u>	1	1	911	1275
Coffee <u>5/</u>	0	0	1200	1397
Sugar <u>6/</u>	<u>2/</u>	<u>2/</u>	73	82
Henequen	0	0	42	44
Tomatoes	4	<u>2/</u>	91	66
Bananas	0	0	48	33

1/ Estimate.

2/ Less than 500 tons.

3/ Processed milk in terms of fresh.

4/ 1,000 bales.

5/ 1,000 60-kilo bags.

6/ Refined basis.

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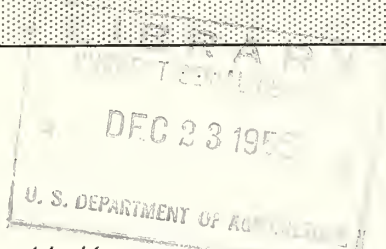


FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D. C.

FATP 41-55

December 1, 1955



CANADA'S 1955-56 AGRICULTURAL TRADE POSITION STRONG.

General Economic Situation

Canadian agriculture continues to furnish competition with the United States in foreign markets with such commodities as wheat, oats, barley, flaxseed, dairy cattle, apples and shell eggs. The total volume of agricultural production for 1955 is well above 1954. Increases occurred in the production of grains, meat, dairy products, fruit, potatoes, flaxseed, soybeans and several minor crops. Decreases resulted in the output of leaf tobacco and sugar beets.

The year 1955 was one of high overall economic development in Canada as a result of increased industrial activity, particularly in industrial plant expansion and mining activities. This favorable economic situation was also reflected in satisfactory economic levels for agriculture with the exception of the prairie province farmers who had difficulty in marketing their grain following the harvest.

The Canadian Government announced as of November 5 that arrangements had been made with charter banks to facilitate loans to grain producers in the prairie provinces. Loans up to an individual maximum of \$1,500 with a total aggregate to \$50 million will be made available to producers to meet financial difficulties arising from the inability to make grain deliveries because of congested storage conditions. The guaranteed loans are to be available during the period November 15, 1955 to June 1, 1956 and the interest rates on the loans are not to exceed 5% per annum.

The high economic level of development in 1955 has also resulted in an increased domestic consumption of meats and dairy products, increased imports of United States winter vegetables and fruits and larger imports of cotton textiles and raw cotton.

GRAIN CROPS

Total Canadian 1955 grain production was substantially above average. Only corn production established a new high but all other grains, except rye, were bumper harvests. The good crops were the result primarily of excellent growing conditions during the summer months and near-ideal weather for harvesting.

The wheat harvest of 494 million bushels plus the carryover of 494 million bushels, resulted in a total supply of just a few million bushels short of an all-time record. This year's wheat is of especially high quality and high protein content. This is in contrast to the low grades from the 1954 crop and also the bulk of the carryover stocks.

Canada's 1955 Grain Production with Comparison.

	1955	Compared with	
	(million bus.)	1954	1945-54 Average
		(percentage	change)
Wheat	494	+ 60	+ 11
Oats	404	+ 32	+ 9
Barley	252	+ 43	+ 36
Rye	15	+ 4	- 10
Mixed Grains	65	+ 6	+ 21
Corn	32	+ 41	+113

Source: Dominion Bureau of Statistics

Total supply (production plus carryover) of the four small grains this season amounts to about 150 million bushels larger than last year. This supply, however, is 130 million bushels smaller than the record for the 1953-54 season.

The problem this year in contrast to that of two years ago is the slow export movement at the beginning of the marketing season. Total grain exports for the first three months of the current marketing year were 30% below the corresponding period last season. Wheat export shipments in August this year were heavy due to large commitments previously made to the United Kingdom and to Japan.

The Canadian Wheat Board which controls the marketing of all grains grown in the prairie provinces is faced with the problem of the large volume of low-grade wheat occupying most of the space in both country and terminal elevators. The Wheat Board has a real problem to dispose of this low-grade wheat. The domestic supply of feed grains this year is abundant and flour mills, both domestic and foreign, are demanding the high quality of new wheat.

Canadian Exports: Grain and Milled Products

	1923-34 to 1952-53 <u>30-year average</u>	<u>1953-54</u>	<u>1954-55</u>	Aug. 1- Oct. 27 <u>1954-55</u>	Aug. 1- Oct. 26 <u>1955-56</u>
	(m i l l i o n)			b u s h e l s)	
Wheat (a)	255.4	255.1	251.8	72.2	53.5
Oats (b)	28.4	70.7	22.2	4.2	1.5
Barley	22.8	90.1	77.1	19.4	10.9
Rye	5.3	16.8	9.3	.7	2.5

(a) Includes wheat flour

(b) Includes rolled oats and oatmeal

Source: Board of Grain Commissioners for Canada.

Grain prices this year in contrast to those of a year ago reflect to some extent the changes in supply and demand situation and also the influence of the Canadian Wheat Board. Number 2 Northern Spring wheat was quoted on November 3, 1954 at \$1.64 7/8 per bushel at the Lakehead while at the same date this year, the price was \$1.68½. Feed wheat on the other hand was \$1.48 7/8 a year ago while on the same date this year it was \$1.14. Prices for #1 feed oats and #1 feed barley in early November this year were from 12¢ to 17¢ per bushel cheaper than a year ago.

The Canadian demand for feed grains this year is considered to be somewhat greater than last season due to increased numbers of cattle and hogs and to the summer drought in Ontario and Quebec. The increased consumption may not be as large as some expect as farmers in the eastern provinces feel that livestock and dairy prices are not high enough to warrant buying large quantities of additional grains at present prices. Eastern farmers, in fact, state that feed prices should be lower in view of the current supply.

LIVESTOCK

The Canadian livestock industry has prospered during the first ten months of 1955. Livestock numbers have been increasing and the slaughter of cattle, hogs, sheep and lambs has been larger in 1955. Consumption of all meat has continued to expand, an indication of the expanding Canadian economy. Prices for livestock have held up well, with most prices being about equal to that of last year on the 1st of November. Total exports of meat and livestock in terms of meat have declined in 1955.

Cattle

During the first ten months of 1955, receipts of cattle at stockyards and slaughter plants have been running ahead of last year since mid-June. The number of cattle slaughtered under federal inspection for the first ten months of 1955 is 3.6% above last year.

The total volume of beef on hand September 30, 1955 was slightly above that of a year ago. The net disappearance or consumption of beef, however, is running slightly above 1954.

Exports of beef and veal during the first ten months of this year amounted to only 7.3 million lbs. compared with 18.2 million lbs. for the same period in 1954. Exports of beef and veal to the United States have declined to 6 million lbs. during the first ten months of this year compared to 8.7 million lbs. for 1954.

Live cattle exports are of considerable interest to the U. S. livestock industry. Slaughter cattle exported to the United States during the first ten months of this year amounted to only 10,882 head compared with 33,907 in 1954. Feeder cattle exports to the U.S. also declined, amounting to only 5,902 (January-October) this year compared with 7,977 a year ago.

Dairy cattle exports to the United States however, have shown an increase this year amounting to 32,980 head for the first ten months as compared with 27,041 for the same period last year. Canada has also been stepping up its exports of cattle, primarily dairy breeds, to Latin-American countries. During the first ten months, over 1,000 head were

shipped to various Latin-American countries, with Colombia, Mexico and Venezuela being the principal destinations. During the first ten months of 1955, Canada also shipped over 1,000 head of cattle to the British West Indies.

Hogs

Canadian hog numbers in 1955 have continued to expand. The September pig survey revealed that an estimated 14% more sows would farrow during the late summer and early fall months. The greatest expansion in Canadian meat production this year has been in pork. During the first ten months of 1955, 18% more carcasses were federally graded, than in the corresponding months in 1954. Official figures reveal that pork consumption has been running over 19% above a year ago. At the end of September this year, cold storage holdings of pork were 10% less than a year ago. Prices for hogs have shown a seasonal decline and are approaching the government's price support base. At Toronto, Grade "A" dressed carcasses are currently selling from \$23.50 to \$25.00 per hundred, which is about the same price range as a year ago at this time. The Canadian Government has a standing offer to buy pork at \$23.00 carcass weight at Toronto for Grade "A" pork. Thus far the government has made no purchases this season. In the eastern markets, the seasonal heavy marketing has about passed the peak while in the prairie provinces the heavy run is expected to continue for another 8 weeks. It has been encouraging to the Canadian Government to note the strong demand for pork in view of the increased slaughter this season.

Exports of live hogs to the United States this year have amounted to only 7,621 head compared with 17,464 a year ago. Pork exports to the United States for January-October totalled 45,800,000 lbs. compared with 43,278,000 lbs. for the same period last year. Exports to the United States, however, since July have been running below a year ago. In fact, for the past four months, exports to the United States are more than 20% below a year ago. It is expected with the prices in Canada currently running substantially above those in the U. S. that pork exports will remain low during the coming months.

Sheep and Lambs

Sheep and lamb slaughter has been running about 5% above last year. Prices for lambs declined seasonally the last week in October. Good lambs at Toronto were quoted at \$19.00 per hundred lbs., slightly below the price for the same date a year ago.

DAIRY AND POULTRY SITUATION

The dairy industry of Canada is in a relatively healthy economic position. Even though milk production trend is slightly upward, consumption of fluid milk, butter, ice cream, whole milk powder, dried skim milk, evaporated whole milk and cheese are all exceeding the 1954 rate. Consumption of fluid milk during the first seven months of 1955 was up 4% from last year. Only the consumption of condensed whole milk is below that of last year.

Butter stocks were the highest on record on November 1, with the government holding in storage approximately 128 million lbs. The probable butter consumption of 22 million lbs. in November is expected to exceed production by about two million lbs. In February, the lowest point of fresh butter production, it is expected that consumption will require withdrawal of 12 million lbs. from storage stocks.

Canada had to seek imports of dry skim milk to meet domestic demand, which was about 15% higher for the year 1955 than in 1954. With the exception of dry skim milk, prices of concentrated products changed little during the year. Prices of dry skim milk rose 5 to 6 cents per pound higher than in 1954.

With one million fewer hens on farms than a year ago, the Canadian poultry industry is receiving higher prices for its reduced marketings than last fall. Estimated production of eggs during the first 9 months of 1955 was 284.4 million dozen, compared to 287.0 million during the same period last year.

Egg marketings from the 27,980,000 layers was 4,535,725 cases from January 1 to October 22, 1955, 153,630 cases less than during the same period last year. Egg prices for the year average 2.5 cents higher, however, prices on October basis are about 12¢ higher than during 1954 or 70¢ per dozen. Eggs in cold storage on November 1, 1955 totaled 11,000 cases compared to 53,000 a year previous. Stocks of frozen eggs (whole, yolk and whites) at the nine leading cities were 6,787,000 lbs., while the November 1, 1954 stocks were 5,396,000 lbs.

Canadian exports of eggs in shell this year are running substantially below 1954. Exports for January-August this year total 3,196,000 dozen as compared with 5,698,000 dozen for the same 8 months in 1954. The principal export markets for shell eggs are Venezuela and the United States.

Prices of dressed poultry, all kinds, are slightly above last year even though the 114,334,000 lbs. marketed up to October 22, represents almost a 6% increase over the same period in 1954.

VEGETABLES

Canadian imports of fresh vegetables from the United States during the first seven months of 1955 took a big jump over the same period of 1954 and 1953. The most important was potatoes which increased \$2,780,954 to a total of \$5,509,420. There were important increases in importation of onions, cabbage, celery, tomatoes and lettuce. The total increase of these five vegetables was \$2,507,723. Total imports of sixteen fresh vegetables from the United States was \$26,867,231, a \$5,555,654 or 26% increase over the same period (January-July) in 1954.

Canadian Imports of Vegetables from U.S.

	<u>1954</u> <u>Jan.-July</u>	<u>1955</u> <u>Jan.-July</u>	<u>Increase</u>
Potatoes, not seed	\$2,728,466	\$5,509,420	\$2,780,954
Onions	1,108,478	1,714,543	606,065
Cabbage	1,120,987	1,711,161	590,174
Celery	2,283,140	2,820,950	537,810
Tomatoes	3,608,308	4,135,672	527,364
Lettuce	3,062,724	3,309,034	246,310
Vegetables n.o.p.	1,895,898	2,243,116	347,218
Mushrooms	4,359	87,331	82,972
			<u>Decrease</u>
Carrots	2,310,899	2,115,084	195,815
Green Beans	655,514	583,363	72,151
Asparagus	526,650	502,260	24,390

Source: Dominion Bureau of Statistics

Mid-October potato estimate revised upward the mid-September predictions by 5,472,000 bushels, a 9.4% increase. This is attributed to fairly substantial increases in the indicated average yields in New Brunswick, Ontario, Quebec and Manitoba, together with an increase in the estimated acreage planted this year in Prince Edward Island.

The new estimated yield of 63,578,000 bushels of potatoes is 23% greater than last year's revised estimate of 51,783,000 bushels, which was a small crop.

Tomatoes: Planted Acreage, Yield and Production for 1951 to 1955

<u>Year</u>	<u>Acres</u>	<u>Average Yield (bushels)</u>	<u>Production (1,000 bus.)</u>
1951	284,900	169.7	48,361
1952	296,800	202.4	60,071
1953	321,100	208.7	67,002
1954	299,700	172.8	51,783
1955	308,300	206.2	63,578

Source: Dominion Bureau of Statistics

The acreage of the thirteen leading commercial vegetables in Canada was increased 15% in 1955 with an estimated acreage of 200,400 acres. Planted acreage was up in all provinces except Alberta where the decline was about 1%. Practically all of the 26,060 additional acres were in the five principal canning crops, asparagus, beans, corn, peas and tomatoes. There were smaller increases in acreage of beets, cabbage and carrots, while acreages of celery, lettuce, onions and spinach decreased.

The mid-October estimate placed the dry bean production at 1,286,000 bushels, a 258,300 bushel, 25% increase over 1954. This is due principally to the 8,500 acreage increase.

Stocks of canned vegetables held by canners, wholesalers and chainstore warehouses on June 30, 1955, was 155,856,808 lbs., 26,058,181 less than on the same date in 1954. Tomatoes showed the greatest decrease with a drop of over 36 million lbs., while peas had the greatest increase with almost 12 million lbs. more in 1955.

FRUITS

Production of all Canadian fruit crops except grapes, strawberries and raspberries are above last year. The apple harvest of 18.6 million bushels, 28% greater than last year, is reported as the fourth largest in history.

Last year's exports to the U.S. were 1,220,000 bushels, with all other exports being 872,000 bushels. The United Kingdom has allowed an import quota for Canadian apples for 1955-56 amounting to \$2,712,600. The industry is insisting that only No. 1 apples be shipped to the United Kingdom, in an effort to re-establish and hold a quality market for Canadian apples.

Prices to the apple growers are low. In Quebec Province, No. 1 Grade MacIntosh apples sold at roadside markets for \$1.00 per bushel. The Nova Scotia Fruit Growers' Association states that growers were losing five cents per box on Grade 1 apples being marketed in Halifax at \$1.50.

Production of the Major Fruits for 1955 are as follows:

<u>Fruit</u>	<u>Estimated 1955 Yield</u>	<u>Percent change from last year</u>
Apples	18,600,000 bushels	+ 28
Pears	1,500,000 bushels	+ 16
Plums and prunes	854,000 bushels	+ 19
Peaches	2,700,000 bushels	+ 13
Grapes	86,800,000 pounds	- 6
Apricots	180,000 bushels	+ 53
Cherries	516,000 bushels	+ 3
Strawberries	22,500,000 quarts	- 20
Raspberries	12,300,000 quarts	- 4
Loganberries	1,500,000 pounds	+ 39

Source: Dominion Bureau of Statistics

Stocks of all fruit, frozen and in preservative, total 40,750,000 lbs. on October 1. This compares to 38,128,000 lbs. a year ago.

Canadian imports of U.S. fruits held up very well during the first seven months of 1955. Substantial increases were made in the importation of canned mixed fruits, frozen concentrated fruit juices and melons. Fresh apples, grapes and dates showed increases also. Fresh oranges, canned peaches, fruit syrups, fresh peaches and fresh cherries showed the greatest loss.

The comparison of 1955 and 1954 imports of fruits showing the largest increases and decreases are as follows:

Canadian Imports of U.S. Fruits

	<u>1954 (Jan.-July)</u>	<u>1955 (Jan.-July)</u>	<u>Increase</u>
Mixed fruits, canned	\$1,823,163	\$2,802,270	\$979,107
Fruit juices, frozen, Concentrated	2,593,504	3,433,269	839,765
Melons	738,581	1,118,163	379,582
Apples, fresh	1,665,987	1,838,337	172,350
Grapes, fresh	2,028,481	2,122,237	93,756
Dates	36,264	117,854	81,590
Lemons	1,387,562	1,462,323	74,761
Orange Juice	2,147,245	2,249,025	101,780
Oranges, fresh	13,600,657	12,710,125	890,532
Grapefruit, fresh	2,997,037	2,975,765	21,272
Peaches, canned	555,437	434,963	120,474
Fruit syrups, n.o.p.	437,500	196,590	240,910
Peaches, fresh	591,883	343,067	248,816
Cherries, fresh	735,115	495,164	239,951

Source: Dominion Bureau of Statistics

OILSEEDS AND FATS

A marked expansion of oilseed production was one of the features of the 1955 Canadian crop season. Estimated outturns of rapeseed, flax seed and mustard seed are almost double those of last year, while more moderate increases were registered by soybeans and sunflower seed. The sharp increases in acreages were a contributing factor in the larger crops of flaxseed, mustard seed and rapeseed while average yields were higher for all but rapeseed.

The 1955 flaxseed crop, estimated mid-October at 21,498,000 bushels, is almost twice as large as the 11,238,000 bushels of 1954 and more than double the 10-year average of 9.6 million bushels. This year's crop is second only to the record 26.1 million harvest in 1912.

The second largest area devoted to oilseed crops was the estimated 214,000 acres planted to soybeans. This is 40,000 below the average in 1954, but sharply increased average yields (19.5 to 26.4) resulted in a record production of 5,650,000 bushels, or a 14½ increase over the 1954 crop and double the ten-year average.

The major portion of the near-record total of 55,780,000 lbs. of rapeseed was grown in Saskatchewan, but the marked expansion of acreage extended to Alberta and Manitoba. The average yield of 410 lbs. on 136,200 acres compares to the 722 lb. yield on 40,000 acres in 1954 when the production was 28,900,000. The mustard seed production of 52,840,000 lbs. is almost double last year's revised estimate of 27,733,000 lbs. The major portion of 78,500 acres in commercial production is in Alberta. The average yield in 1955 was 673 lbs. compared to 415 last year. Commercial production of sunflower in 1955 totaled 14,400,000 lbs. grown on 18,000 acres, an average yield of 800 lbs. This compares to 14 million lbs. on 20,000 acres yielding 700 lbs. per acre in 1954.

Production of Lard, Tallow, Grease, other Fats and Oils for January-September 1954 and 1955

	January-September, 1954	January-September 1955
	(thousands of lbs.)	
Lard	62,710	75,310
Tallow - edible	21,319	22,435
- inedible	70,968	77,664
Grease - white	3,175	3,342
- other	3,993	3,429
Other fats and oils (includes copra)	8,790	7,667

Source: Dominion Bureau of Statistics.

Margarine (including spreads) production for the first nine months of 1955 was 90,827,000 lbs. compared to 83,346,000 lbs. for the same period last year. Packaged shortening dropped to 43,023,000 compared to 45,809,000 in 1954, and bulk shortening was only 9,000 lbs. lower than the 67,845,000 lbs. production of last year. However, lard production during the first three-quarters rose to 75,310,000 lbs. from 62,710,000 lbs.

TObacco

Canadian flue-cured tobacco production is estimated to be 122 million lbs. The yield per acre from Ontario's approximate 90,000 acres is above average, but serious losses due to a hail storm, leaf spotting and an early frost cut the crop by an estimated 30,000,000 lbs. The Quebec flue-cured crop, which was not damaged to any extent, is estimated at 5 million lbs.

Canadian exports of leaf tobacco in the period October 1954-September 1955 established a new record of 45 million lbs. (redried weight) largely as a result of the record 1954 flue-cured crop. Stocks of flue-cured leaf on hand October 1 this year were estimated at 157 million lbs., (redried weight) about 16 million lbs. above the same date in 1954. Exports of flue-cured tobacco from the 1955 crop are expected to be below that of the two previous years.

Canadian Flue-Cured Tobacco Exports - January-August, 1954 and 1955

<u>Destination</u>	<u>1954</u>	<u>1955</u>
	(Jan.-Aug.) (1,000 pounds)	(Jan.-Aug.) (1,000 pounds)
United Kingdom	20,199	34,628
Australia	2,205	2,920
Jamaica	733	963
Trinidad	875	796
Belgium	119	47
Netherlands	457	403
Others	414	414
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Total	25,002	40,171

Source: Dominion Bureau of Statistics

COTTON

Canadian cotton mill activity for the first three months, August-October, of this season is averaging about 18% greater consumption of cotton than for the same period last year.

Price differentials are, however, forcing United States cotton out of the Canadian market. With Mexican staple 3¢ to 6¢ per lb. cheaper than for comparable U. S. grades, the cotton mills are reported by the Montreal trade sources to have purchased their requirements for several months forward from Central America countries and Mexico. Reports indicate that the first half of the season (August-January), consumption of U. S. staple may be less than 40% of the total and might fall below 20% the last half of the year.

Canadian Consumption of Cotton - 1950-51 to 1954-55

<u>August-July</u>	<u>Total</u>	<u>Other</u> (1,000 bales)	<u>U. S.</u>	<u>% U.S.</u>
1950-51	479	103	376	78
1951-52	343	39	304	88
1952-53	371	89	282	76
1953-54	305	85	220	72
1954-55	355	55	300	84

Source: Cotton Institute of Canada.

Stocks of raw cotton on hand July 31 totaled 55,733 bales, consisting of 9,071 Mexican and 41,547 U. S. This was the lowest level of U. S. staple on hand at the end of the season for the past five years, being 47,613 bales in 1954, and 45,342 bales in 1953.

TRADE OUTLOOK FOR 1956

From an import standpoint Canada's agricultural trade is expected to be well maintained. Imports of citrus fruits, winter vegetables, rice, soybeans and soybean oil from the U. S. are expected to continue at high levels during 1956. Although Canadian imports of raw cotton are expanding and will probably continue high, imports from the U. S. are suffering from the competition of cheaper imports from Mexico.

In the field of agricultural surpluses, the Canadians are primarily concerned with a surplus of wheat. Grain elevators, both country and terminal, are jammed. The recent sharp reduction in prices of low-grade wheat indicates the Wheat Board's intention to move as much out as possible.

Butter stocks on October 1 were at an all-time high, but the Government feels that with the expanding consumption of dairy products being more rapid than the increased production, the butter surplus situation will gradually correct itself.

The 1955 bumper apple crop has created marketing difficulties for the apple growers, particularly in the eastern provinces. Canada is energetically endeavoring to find export markets for surplus apples.

Canada's enormous flaxseed crop is moving into export channels at a good rate but stocks next summer may still be large.

With the short flue-cured tobacco crop, Canada will have practically no exports of this commodity from the 1955 harvest.



FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D. C.

FATP 42-55

Dec. 1, 1955

COUNTRY HIGHLIGHTS IN 1954-55 U. S. AGRICULTURAL EXPORTS 1/

United Kingdom again best U. S. customer for farm products. The five most important foreign outlets for U. S. agricultural exports remained the same in fiscal year 1954-55 as in the previous year, but there were changes in relative position. The United Kingdom moved to top position; Japan dropped back to second place; Canada remained in third; and the Netherlands replaced West Germany in fourth position. Each of these five countries took more than \$200 million of U. S. agricultural products last year.

British bought more as economy strengthened. The United Kingdom last year moved back to its traditional position as chief taker of U. S. agricultural products. Exports to that country totaled \$436 million in 1954-55 as compared with \$281 million a year earlier, larger by 55 percent. Main factors were its improved economic situation, firmer gold and dollar position, and more liberal dollar import policies as well as lower U. S. prices for some commodities. Exports showing marked gains in quantity and value were wheat, lard, tobacco, and cotton. Wheat shipments were 26 million bushels last year as compared with 3 million in 1953-54; the big increase reflected rather poor quality 1954 British wheat production and relatively low stocks. Large U. S. supplies at favorable prices contributed to a fourfold increase in lard shipments. Reopening of the London cotton exchange required larger supplies of U. S. cotton to promptly cover commitments made under futures contracts.

Rice and cotton were main factors in decline to Japan. U. S. agricultural exports to Japan totaled \$341 million in 1954-55 as against \$473 million a year earlier, 28 percent less. Nearly all the decline was in cotton, rice, and wheat. Rice shipments fell considerably because substantial purchases were not shipped until after the close of the 1954-55 season. Sharp drop in cotton exports reflected Japan's depressed textile industry, its uncertainty about U. S. cotton export policy, and its greater purchases of Mexico's cheaper cotton.

Canada's economic growth continued to stimulate U. S. sales. Agricultural exports to Canada, continuing their growth of the past 3 years, increased from \$259 million in 1953-54 to \$301 million last year. That country's increasingly higher standard of living and expanding population have been important factors in the improvement of U. S. exports to that country. In the past few years, foreign investments have also contributed to heightened economic activity and increased foreign trade. Canada is the best foreign market for U. S. fruits and vegetables, which last year accounted for about one-third of the value of all U. S. agricultural exports to that country.

1/ Prepared in the Trade Statistics and Economic Geography Branch

The 315 thousand bales of cotton shipped was 83 thousand more than in the previous year. Shipments of soybeans totaled 8 million bushels, 3 million more than a year earlier.

Grain predominant in larger exports to the Netherlands. Agricultural exports to the Netherlands in 1954-55 were \$45 million ahead of the \$203 million in the previous year. More than one-third of the gain reflected barter shipments. Exports of grain increased considerably as Dutch takings from Argentina and the Soviet Union declined. Wheat shipments totaled 12 million bushels in 1954-55 as compared with 8 million a year earlier. Exports of barley jumped from less than 23 thousand bushels in 1953-54 to 11 million in 1954-55. Grain sorghums also increased substantially and totaled 7 million bushels. The Netherlands remained an important outlet for U. S. fats, oils and oilseeds although much of the imports were processed for transshipment to other countries.

Slight decline in exports to West Germany. U. S. agricultural exports to West Germany totaled \$244 million in 1954-55, slightly below shipments in the previous year. Private food shipments for relief or charity were \$7 million less. Shipments of tobacco fell from 60 million pounds to 46 million; value dropped less because West Germany bought higher-quality leaf. Wheat shipments were up by 11 million bushels over the 16 million exported in 1953-54; indications are that wheat exports last year were helped by the Berlin Aid Program and barter sales; the U. S. was Germany's chief wheat supplier. Favorable prices helped to expand exports of lard and soybeans.

Government programs lifted exports to Yugoslavia. The value of agricultural exports to Yugoslavia increased from \$50 million in 1953-54 to \$122 million in 1954-55. Main factor was wheat under Government programs. Of the 40 million bushels of wheat shipped to that country last year, 14 million were donated as famine relief under Title II of Public Law 480. The remainder was exported for foreign currencies. Famine relief also accounted for 1.7 million pounds of butter last year.

Larger local output, less consumption, reduced U. S. rice exports to Cuba. Shipments of U. S. agricultural products to Cuba fell to \$121 million in 1954-55, \$23 million less than in the previous year. Partly because of increased rice acreage and somewhat lower consumption in Cuba, U. S. milled rice shipments declined more than one-third in quantity, totaling 331 million pounds last fiscal year as contrasted with 493 million in 1953-54. Indications, however, are that Cuban rice acreage is now decreasing and that U. S. shipments should increase in the coming years. Cuba's lagging economy was an important factor in the U. S. export decline; sugar production, most important enterprise in Cuba, had to be cut back more than 30 percent in the past 2 years.

Exports to France were maintained. U. S. agricultural exports to France totaled \$104 million in 1954-55, only \$3 million under those a year earlier. Major declines were in cotton and corn; exports of corn last year were negligible. U. S. orange exports were down also. Cotton, most important export commodity, declined from 466 thousand bales in 1953-54 to 423 thousand in 1954-55. Chief gains were in soybeans and tobacco.

Tallow accounted for most of the improved exports to Italy. Shipments of agricultural products to Italy totaled \$95 million in 1954-55, an increase of \$13 million over a year earlier. Inedible tallow accounted for most of the increase; exports rose from 97 million to 166 million pounds, reflecting large U. S. supplies and attractive prices. Cotton and tobacco shipments declined.

Exports to Belgium reflected larger grain shipments. U. S. agricultural exports to Belgium increased from \$75 million in 1953-54 to \$90 million in 1954-55. About \$9 million last year represented barter shipments. Most of the increase can be attributed to grain. Exports of barley, grain sorghums, and wheat were up considerably, and the increase for these grains was only partly offset by a decrease for corn. Improvement in U. S. position in the Belgian grain market was about offset by Argentine losses. Gains of 6 million bushels in barley and 4 million in wheat were due to poor European harvests.

Better local crop caused fall in U. S. wheat exports to Spain. Exports to Spain totaled \$67 million in 1954-55, slightly below shipments in the previous year. Shipments of cotton increased 35 thousand bales to a total of 202 thousand, practically all under Government programs. As the result of Spain's better harvest, U. S. exports of wheat dropped from 17 million bushels in 1953-54 to 2 million in 1954-55.

Exports to Venezuela remained firm. Agricultural exports to Venezuela totaled \$64 million in 1954-55, about the same as in recent years. This country is the best foreign market for U. S. dried whole milk, which totaled \$16 million in 1954-55 and \$10 million in 1953-54. Other important items included eggs, wheat flour, vegetables, and barley.

More cotton moved to meet expanded Korean textile needs. U. S. agricultural commodities shipped to the Republic of Korea in 1954-55 totaled \$50 million, about the same as in the previous year. There were large changes in cotton and rice. The 181 thousand bales of cotton exported in 1954-55 was twice the quantity of a year earlier; Korean textile output was expanded to meet domestic demand. Commercial shipments of rice, on the other hand, fell from 128 million pounds in 1953-54 to 15 thousand in 1954-55; rice production in Korea recovered and was substantially larger than a year earlier.

Exports to India held up despite more than 50 percent drop in cotton. The United States exported \$45 million of agricultural commodities to India in 1954-55, \$5 million more than a year earlier. Tobacco and nonfat dry milk solids showed moderate improvements. Exports of cotton fell from 151 thousand bales to 73 thousand; increases in Indian cotton output in 1954 exceeded its total cotton imports in the previous year.

Mexico achieving greater self-sufficiency. The \$46 million drop in corn and wheat shipments accounted for most of last year's decline in U. S. agricultural exports to Mexico from the record level of the previous year. These and other reductions caused total U. S. shipments to fall from \$100 million in 1953-54 to \$44 million in 1954-55. Major factors were good weather and Mexico's continued efforts toward achieving greater self-sufficiency. Mexico's 1954-55 wheat output increased considerably as a

result of more land under irrigation, and corn production greatly exceeded that of a year earlier when drought nearly destroyed the crop; Mexican yields attained record levels. U. S. agricultural exports were limited also by restrictive import regulations.

Exports to Pakistan fell as wheat harvests there improved. Agricultural exports to Pakistan dropped from \$69 million in 1953-54 to \$10 million last year. Exports in 1953-54 were largely made up of wheat shipments under an aid program to help that country meet a food deficit situation; harvests there were better last year.

**U. S. DOMESTIC EXPORTS: Selected countries by principal agricultural products,
YEAR BEGINNING JULY 1953-54 and 1954-55**

COUNTRY AND PRODUCT	UNIT	YEAR BEGINNING JULY 1 A/			
		QUANTITY		VALUE	
		1953-54	1954-55	1953-54	1954-55
		THOUSANDS	THOUSANDS	1000 DOLLARS	1000 DOLLARS
CANADA					
POULTRY AND GAME FRESH OR FROZEN	LB	9 388	8 563	4 035	3 291
COTTON UNMANUFACTURED	LB	110 651	151 280	39 091	55 115
LINTERS	LB	8 569	11 031	7 64	8 827
GRAPEFRUIT FRESH	LB	126 397	116 149	4 238	4 339
GRAPES FRESH	LB	71 101	85 307	6 119	7 030
DRANGES AND TANGERINES	LB	429 387	396 033	21 564	22 785
OTHER FRESH AND FROZEN FRUITS	LB	190 753	213 832	13 347	14 866
PRUNES DRIED	LB	12 543	14 854	2 313	2 905
RAISINS AND CURRANTS	LB	20 680	19 618	2 848	2 854
FRUIT CANNED	LB	58 553	68 173	9 383	11 114
FRUIT JUICES	GAL	16 707	15 687	14 239	13 730
CORN GRAIN	BU	9 060	7 978	15 443	13 949
RICE PADDY	LB	57 458	40 975	3 192	2 053
OTHER GRAINS AND PREPARATIONS				7 527	7 641
SOYBEANS	BU	4 794	7 870	14 629	22 679
VEGETABLE OILS AND FATS EXPRESSED	LB	99 829	91 285	16 645	15 919
LETTUCE FRESH	LB	101 121	103 227	4 407	4 797
POTATDES WHITE	LB	119 800	291 973	2 828	7 477
POTATDES NATURAL STATE	LB	67 659	83 651	5 027	6 058
TOTAL AGRICULTURAL PRODUCTS				259 044	300 882
MEXICO					
CATTLE LIVE FOR BREEDING	NO	2	4	393	904
MILK CONDENSED AND EVAPORATED	LB	9 487	11 050	1 353	1 529
EGGS IN THE SHELL	DOZ	18 295	19 166	8 059	5 642
LARD	LB	40 190	29 411	6 756	4 496
OTHER ANIMAL OILS AND FATS	LB	82 010	56 619	6 016	4 810
CORN GRAIN	BU	18 053	29	33 162	111
WHEAT GRAIN	BU	6 546	163	13 786	304
OTHER GRAINS AND PREPARATIONS				4 241	2 826
HOPS	LB	2 534	2 790	1 717	1 574
COTTONSEED	LB	20 387	36 737	1 594	3 261
BEANS DRIED	LB	47 678	21 107	3 850	1 586
POTATDES WHITE	LE	30 339	25 334	418	431
VEGETABLES CANNED	LB	2 359	1 477	411	293
TOTAL AGRICULTURAL PRODUCTS				100 368	44 429
CUBA					
EGGS IN THE SHELL	DOZ	2 585	9 845	1 219	3 276
CURED PORK	LB	8 395	15 372	3 988	6 071
OTHER MEATS	LB	4 485	11 870	1 453	2 661
LARD	LB	112 051	160 924	19 639	23 151
TALLOW INEDIBLE	LB	19 732	30 022	1 334	2 168
COTTON UNMANUFACTURED	LB	8 928	10 177	3 230	3 704
FRUITS AND PREPARATIONS				6 210	7 731
RICE MILLED	LB	492 991	331 242	52 484	26 887
RICE PADDY	LB	13 272	15 553	1 395	1 402
WHEAT GRAIN	BU	1 029	1 621	2 257	3 600
WHEAT FLOUR 100 LBS	BAG	1 012	1 597	5 364	7 369
CORNSTARCH	LB	6 401	7 744	439	531
SOYBEAN OILCAKE AND MEAL	STO	10	18	918	1 602
DRIED BEANS	LB	37 603	68 994	3 622	6 125
ONIONS	LB	11 984	51 760	373	1 772
POTATOES WHITE	LB	1 319	71 761	27	1 641
VEGETABLES CANNED	LB	9 723	28 386	1 480	3 735
TOTAL AGRICULTURAL PRODUCTS				144 409	121 195
VENEZUELA					
MILK WHOLE DRIED	LB	21 519	31 538	10 903	15 705
EGGS IN THE SHELL	DOZ	5 136	14 923	2 287	5 552
APPLES FRESH	LB	5 983	8 550	821	1 116
GRAPES FRESH	LB	6 688	8 687	1 085	1 306
PEARS FRESH	LB	3 979	5 486	417	641
CANNED FRUITS	LB	5 638	5 397	1 121	1 113
BARLEY MALT	BU	5 693	916	1 802	2 264
RICE MILLED	LB	2 330	2 963	190	240
WHEAT FLOUR 100 LBS	BAG	952	1 553	5 361	7 590
VEGETABLE OILS AND FATS EXPRESSED	LB	6 401	7 202	1 451	1 417
VEGETABLES AND PREPARATIONS				4 457	4 247
TOTAL AGRICULTURAL PRODUCTS				65 734	64 333
UNITED KINGDOM					
LARD	LB	32 704	139 566	6 966	23 622
CATTLE HIDES WET	NO	434	334	3 987	2 587
COTTON UNMANUFACTURED	LB	195 850	218 849	68 686	83 184
LINTERS	LB	21 034	34 837	1 059	1 609
RAISINS AND CURRANTS	LB	40 095	10 717	2 688	699
CORN GRAIN	BU	32 520	30 187	55 101	50 404
WHEAT GRAIN	BU	3 056	25 562	4 964	37 642
SOYBEANS	BU	1 610	1 403	4 766	4 047
FLUE CURED TOBACCO	LB	134 629	148 925	95 608	109 167
DRIED BEANS	LB	41 964	16 685	2 556	717
VEGETABLE OILS AND FATS EXPRESSED	LB	58 457	35 033	6 330	3 627
TOTAL AGRICULTURAL PRODUCTS				280 733	435 885

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**U. S. DOMESTIC EXPORTS: Selected countries by principal agricultural products,
YEAR BEGINNING JULY 1953-54 and 1954-55**

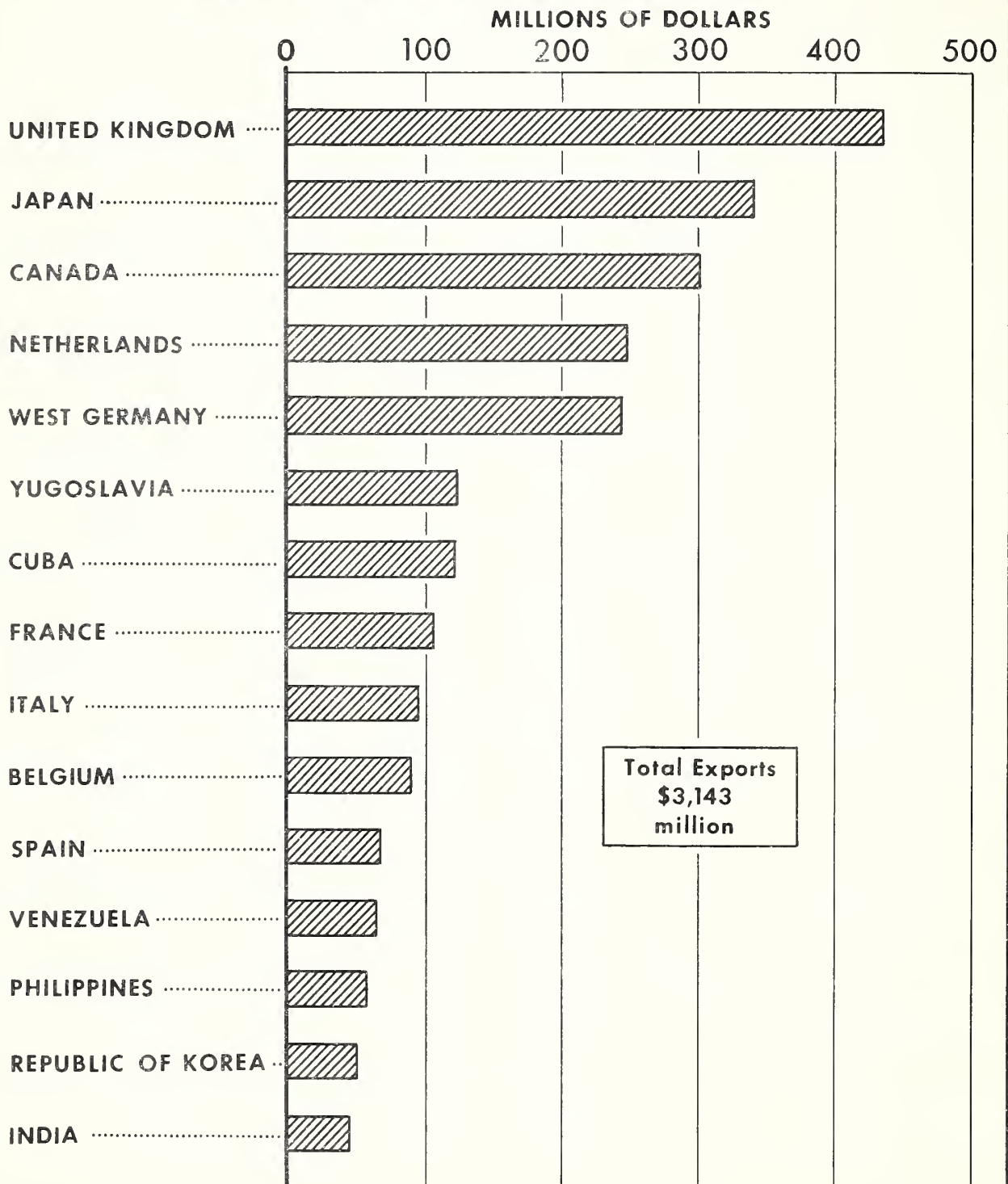
COUNTRY AND PRODUCT	UNIT	YEAR BEGINNING JULY 1 <u>A</u>			
		QUANTITY		VALUE	
		1953-54	1954-55	1953-54	1954-55
		THOUSANDS	THOUSANDS	1000 DOLLARS	1000 DOLLARS
NETHERLANDS					
LARD	LB	24 954	23 480	3 883	3 552
TALLOW INEDIBLE	LB	123 665	155 464	7 995	12 608
CATTLE HIDES WET	NO	911	1 053	6 030	6 801
COTTON UNMANUFACTURED EX LINTERS	LB	51 007	46 921	19 497	18 366
ORANGES AND TANGERINES	LB	125 061	94 463	4 505	4 191
CORN GRAIN	BU	10 117	9 775	17 236	16 233
WHEAT GRAIN	BU	8 178	12 402	15 592	21 162
WHEAT FLOUR 100 LBS	BAG	1 413	1 755	5 241	5 615
SOYBEANS	BU	5 929	5 611	16 929	16 155
SOYBEAN OIL CRUDE	LB	24 629		3 256	
LINSEED OIL CRUDE	LB	267 475	295 762	20 667	20 934
FLUE CURED TOBACCO	LB	29 095	25 394	12 536	10 971
OTHER LEAF TOBACCO	LB	8 502	7 646	3 988	3 285
TOTAL AGRICULTURAL PRODUCTS				202 753	248 398
BELGIUM					
TALLOW INEDIBLE	LB	45 990	33 237	2 409	2 453
COTTON UNMANUFACTURED EX LINTERS	LB	33 271	11 584	12 239	12 351
ORANGES AND TANGERINES	LB	80 732	50 935	3 082	2 384
BARLEY GRAIN	BU	153	5 902	216	7 265
CORN GRAIN	BU	8 717	4 973	14 762	8 143
WHEAT GRAIN	BU	4 044	7 973	7 192	13 135
SOYBEANS	BU	999	621	2 811	1 752
FLUE CURED TOBACCO	LB	7 308	13 840	2 969	5 173
OTHER LEAF TOBACCO	LB	5 199	4 818	2 077	2 012
TOTAL AGRICULTURAL PRODUCTS				75 374	90 470
FRANCE					
COTTON UNMANUFACTURED	LB	223 700	203 362	82 968	77 458
LINTERS	LB	22 527	22 779	1 040	964
PRUNES DRIED AND EVAPORATED	LB	1 088	3 427	185	719
CORN GRAIN	BU	3 152		5 523	21
SOYBEANS	BU	696	2 091	1 972	5 915
FLUE CURED TOBACCO	LB	2 244	2 784	1 786	2 194
TOTAL AGRICULTURAL PRODUCTS				106 892	104 248
WEST GERMANY					
PORK PICKLED	LB	19 293	14 463	3 249	2 104
LARD	LB	32 346	62 063	5 723	9 490
TALLOW INEDIBLE	LB	82 282	99 069	5 062	6 976
COTTON UNMANUFACTURED	LB	194 684	173 763	67 664	67 338
LINTERS	LB	48 328	51 047	2 213	2 107
CORN GRAIN	BU	4 434	3 384	7 493	5 737
WHEAT GRAIN	BU	15 970	27 037	29 389	47 154
GRAIN SORGHUMS	BU	39	3 925	58	3 952
SOYBEANS	BU	3 150	5 363	9 354	14 946
FLUE CURED TOBACCO	LB	55 228	39 023	33 808	24 161
OTHER LEAF TOBACCO	LB	5 939	7 718	4 171	5 487
TOTAL AGRICULTURAL PRODUCTS				249 193	244 177
AUSTRIA					
LARD	LB	5 534	23 054	7 993	3 582
COTTON UNMANUFACTURED EX LINTERS	LB	20 664	7 708	7 928	3 093
CORN GRAIN	BU	4 832	3 510	8 100	5 881
WHEAT GRAIN	BU	372	293	771	529
FLUE CURED TOBACCO	LB	1 812	2 654	1 036	1 377
TOTAL AGRICULTURAL PRODUCTS				23 877	19 843
SWITZERLAND					
TOTAL AGRICULTURAL PRODUCTS				34 942	38 950
SPAIN					
COTTON UNMANUFACTURED EX LINTERS	LB	80 008	97 221	30 212	39 806
WHEAT GRAIN	BU	17 661	2 254	32 220	3 939
FLUE CURED TOBACCO	LB	1 952	2 437	1 635	2 028
TOTAL AGRICULTURAL PRODUCTS				70 094	67 058
ITALY					
TALLOW INEDIBLE	LB	97 409	165 603	6 122	12 386
COTTON UNMANUFACTURED EX LINTERS	LB	122 731	123 491	47 902	47 934
CORN GRAIN	BU	121	592	307	1 025
WHEAT GRAIN	BU	1 073	761	1 939	1 266
FLUE CURED TOBACCO	LB	1 011	8	826	1
OTHER LEAF TOBACCO	LB	2 752	758	2 268	628
TOTAL AGRICULTURAL PRODUCTS				82 159	95 020
YUGOSLAVIA					
LARD	LB	25 851	12 830	4 878	1 773
TALLOW INEDIBLE	LB	12 934	19 987	1 100	1 660
COTTON UNMANUFACTURED EX LINTERS	LB	21 092	49 440	7 522	17 867
CORN GRAIN	BU	24	61	64	257
WHEAT GRAIN	BU	10 848	40 220	19 844	83 988
FLUE CURED TOBACCO	LB	641		317	
TOTAL AGRICULTURAL PRODUCTS				50 073	122 207

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**U. S. DOMESTIC EXPORTS: Selected countries by principal agricultural products,
YEAR BEGINNING JULY 1953-54 and 1954-55**

COUNTRY AND PRODUCT	UNIT	YEAR BEGINNING JULY 1 ^{A/}			
		QUANTITY		VALUE	
		1953-54	1954-55	1953-54	1954-55
		THOUSANDS	THOUSANDS	1000 DOLLARS	1000 DOLLARS
GREECE					
WHEAT GRAIN	BU	4 827	12 071	9 203	21 587
BEANS DRY	LB	5 588	123	536	9
TOTAL AGRICULTURAL PRODUCTS				23 554	35 600
ISRAEL					
NONFAT DRY MILK SOLIDS	LB	22 612	18 312	2 788	2 009
COTTON UNMANUFACTURED EX LINTERS	LB	6 017	8 297	2 346	3 380
WHEAT GRAIN	BU	3 612	7 264	6 586	12 314
WHEAT FLOUR 100 LBS	BAG	1	3	4	12
SOYBEANS	BU	54	2 087	194	5 986
TOTAL AGRICULTURAL PRODUCTS				42 025	41 098
INDIA					
NONFAT DRY MILK SOLIDS	LB	9 225	17 716	1 273	2 087
COTTON UNMANUFACTURED 480 LBS	LB	72 910	34 840	28 680	14 015
CORN GRAIN	BU	375	25	656	46
GRAIN SORGHUMS	BU	668		1 043	
WHEAT GRAIN	BU	2 552	5 378	4 733	8 875
FLUE CURED TOBACCO	LB	1 028	3 404	1 202	3 322
TOTAL AGRICULTURAL PRODUCTS				40 979	45 483
PAKISTAN					
TOTAL AGRICULTURAL PRODUCTS				68 948	10 021
PHILIPPINES					
MILK EVAPORATED AND CONDENSED	LB	87 147	102 137	14 159	15 587
MILK WHOLE DRIED	LB	1 205	1 405	720	825
NONFAT DRY MILK SOLIDS	LB	3 484	5 130	586	685
COTTON UNMANUFACTURED EX LINTERS	LB	4 033	3 056	1 499	1 222
WHEAT FLOUR 100 LBS	BAG	1 551	2 389	7 092	10 204
CORNSTARCH	LB	12 736	212	932	18
FLUE CURED TOBACCO	LB	19 413	16 270	10 517	9 206
VEGETABLES CANNED	LB	4 533	10 049	683	1 417
TOTAL AGRICULTURAL PRODUCTS				52 854	57 469
REPUBLIC OF KOREA					
NONFAT DRY MILK SOLIDS	LB	46 065	37 223	7 831	3 292
COTTON UNMANUFACTURED EX LINTERS	LB	43 473	86 748	13 832	29 917
BARLEY GRAIN	BU	3 778	2 152	5 533	2 627
RICE MILLED	LB	128 746	15	12 898	4
WHEAT GRAIN	BU	1 947	2 160	4 718	3 851
WHEAT FLOUR 100 LBS	BAG	217	235	974	812
GRAIN SORGHUMS	BU	1 080		1 821	
SOYBEANS	BU	201	58	600	162
TOTAL AGRICULTURAL PRODUCTS				51 248	50 149
JAPAN					
NONFAT DRY MILK SOLIDS	LB	50 323	33 188	5 751	2 486
TALLOW INEDIBLE	LB	201 712	195 807	14 273	15 486
CATTLE HIDES WET	NO	912	1 017	8 651	7 675
COTTON UNMANUFACTURED	LB	477 392	348 549	199 149	131 198
LINTERS	LB	19 276	19 188	945	999
BARLEY GRAIN	BU	8 587	12 363	12 001	15 683
CORN GRAIN	BU	6 434	6 302	10 833	10 413
RICE MILLED	LB	873 241	341 236	73 748	24 369
WHEAT GRAIN	BU	45 688	33 020	88 222	56 223
SOYBEANS	BU	17 357	16 750	54 369	47 641
FLUE CURED TOBACCO	LB	8 414	6 671	7 613	5 625
TOTAL AGRICULTURAL PRODUCTS				473 376	341 117
AUSTRALIA					
COTTON UNMANUFACTURED EX LINTERS	LB	18 690	26 524	7 329	10 476
FLUE CURED TOBACCO	LB	24 633	27 435	19 572	21 897
TOTAL AGRICULTURAL PRODUCTS				28 094	34 053
NEW ZEALAND					
FLUE CURED TOBACCO	LB	6 253	6 727	5 121	5 503
TOTAL AGRICULTURAL PRODUCTS				5 237	7 146
EGYPT					
TALLOW INEDIBLE	LB	39 124	42 207	2 737	3 389
WHEAT GRAIN	BU	6 492		12 271	
WHEAT FLOUR 100 LBS	BAG	1 034	565	4 145	2 528
FLUE CURED TOBACCO	LB	4 893	5 434	2 927	3 411
TOTAL AGRICULTURAL PRODUCTS				25 048	26 934
OTHER COUNTRIES				378 897	496 667
TOTAL AGRICULTURAL EXPORTS				2 935 905	3 142 842

MAJOR MARKETS FOR U.S. AGRICULTURAL EXPORTS: FISCAL YEAR 1955





FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D. C.

FATP 43-55

December 2, 1955

Cuba's Food and Agricultural Situation in 1955 1/

The production of sugar and its by-products is Cuba's dominant industry and the mainstay in its economic stability. Sugar production reached an all-time high in 1952 and since that year the quantity of cane which has been permitted to be crushed from each of the successive crops has been progressively curtailed. This decrease in sugar activity has had an adverse effect on Cuba's economy. Decreased sales have reduced the country's ability to purchase needed imports.

Exports of sugar during 1955 are expected to be somewhat higher than in 1954. Grapefruit exports will amount to only slightly more than half the 1954 shipments. With a larger pineapple crop in 1955, exports should be considerably above the previous year. For the first time in a number of years, a substantial quantity of coffee is expected to be exported. Tobacco sales for foreign delivery were somewhat higher in 1955 than for the year before.

A wide variety of agricultural products is imported, principally from the United States. Rice imports will be down considerably in 1955 below 1954, as a result of restrictions placed on the importation of broken rice. Imports of beans, wheat and wheat flour should be approximately the same as 1954. Potato imports are expected to fall below the year before, because of a large carry-over from the domestic crop. Lard imports during 1955 are expected to be the largest since 1952, as a result of low prices. Imports of eggs will probably be about the same as 1954. Some increase in the quantity of evaporated milk imported in 1955 is forecast. (Table 1)

Sugar

The output of sugar from the 1955 crop was reduced by means of production controls to approximately 5 million short tons, as compared to the 1954 production of 5.3 million tons. This cut in production was felt to be necessary because of a considerable carry-over from the 1954 crop, which, added to that of the 1952 crop, raised stocks at the beginning of 1955 to 2.1 million tons. Prospects are exports of sugar in calendar year 1955 will be about 340,000 tons above the previous year, mainly as a result of a sale to Russia of 568,000 tons. An active effort is being made to increase sales to that country in 1956. The efforts to change sugar legislation in the United States caused considerable disturbance in the sugar industry during most of the year, and industry representatives pointed out that a reduction in sugar sales to the United States would mean a corresponding reduction in imports of farm products and manufactured goods from that country.

Table 1. Cuba: Trade in Principal Agricultural Products, 1954, estimate 1955

	<u>1,000 short tons</u>			
	Imports		Exports	
	<u>1/1954</u>	<u>2/1955</u>	<u>1/1954</u>	<u>2/1955</u>
Sugar	0	0	4,658	5,000
Blackstrap molasses <u>3/</u>	0	0	117	100
Hi-Test molasses <u>3/</u>	0	0	129	226
Avocados	0	0	3	3
Grapefruit	0	0	3	2
Pineapple, fresh	0	0	35	50
Tobacco	0	0	21	26
Rice	211	165	0	0
Beans	38	35	0	1
Wheat	76	77	0	0
Wheat flour	89	88	0	0
Potatoes	42	34	0	7
Onions	23	22	0	0
Fresh pork	10	14	0	0
Lard	80	82	0	0
Eggs <u>4/</u>	7	7	0	0
Evaporated milk	10	12	0	0

-
- 1/ Preliminary
2/ Estimate
3/ Million gallons
4/ Million dozen

A factor that may ease the general situation as to sugar is the large scale manufacture of hi-test or invert molasses, production of which had practically ceased since 1944 but was renewed again in 1954 when 131 million gallons were produced. Output increased further in 1955, amounting to 231 million gallons. Practically all of the production from both years has been sold for export. In addition to invert molasses, blackstrap molasses is produced as a by-product in the manufacture of sugar. Production of blackstrap in 1954 amounted to 237 million gallons and in 1955 to 198 million gallons.

Rice

Current opinion is that rice production in Cuba will be stabilized for the next few years at around the outturn of 1954 and 1955 of 127,000 short tons of milled rice. Many large rice farms already in operation for the past few years are encountering serious weed, water, and soil depletion problems. Prospective growers are encountering more difficulty in getting adequate financing than did those of past seasons. Although the large operators grow long-grain rice of United States varieties, the type preferred by Cuban consumers, there is a considerable production of a local variety known as Zayas Bazan. The latter

is a low-grade rice which does not move readily in the market. By the middle of 1955, stocks of this type of rice had become so burdensome that the Government issued a decree restricting imports of rice in excess of 30 percent broken, the broken rice being the principal competitor of the Zayas Bazan. The filling of any part of the July-September import quota with rice classed as more than 30 percent broken was prohibited. This maneuver, which was strongly backed by powerful local interests, permitted these interests to dispose of almost all of the relatively large stocks of the low-grade Zayas Bazan rice. During the period of seasonal unemployment in the sugar industry, from June to December, a large proportion of the rural population is forced to subsist on Zayas Bazan or broken rice, rather than the preferred long-grain rice imported from the United States. The restriction of broken rice imports is reported to have caused some scarcity in the market and resulted in the substitution of cheaper yucca, yams, etc., in the diet of the rural population. It appears that rice imports will be limited to the basic import quota of 165,000 short tons (3,250,000 Sp. quintals) and that total imports for calendar 1955 will be around 20 percent below the year before. This will mean a corresponding reduction in imports from the United States as it is probable that all receipts during 1955, as in 1954, will be from this country.

Beans

Domestic bean production, which consists almost entirely of black varieties, recovered to a normal level in 1955 from a drop the previous year when output was reduced by dry weather. Imports for 1955 will probably be below those of 1954 because of the increase in production. More than 90 percent of the beans purchased abroad were received from the United States. The Government authorized exports of about 900 metric tons of black beans from the 1955 crop following claims by producers that there was a small surplus of this type on the market.

Wheat and Wheat Flour

Although import licenses of wheat and flour in terms of wheat equivalent permit the entry of 223,000 short tons, actual arrivals were almost 22,000 tons below this figure during 1954 and will probably be about the same in 1955. Imports of wheat and flour have declined since 1952, a condition attributed to the lowering of consumer purchasing power as a result of the successive cut-backs in sugar production following the record outturn of that year. In 1954, about 58 percent of the wheat equivalent was imported in the form of flour and the remainder as wheat for processing by the one flour mill operating in Cuba. The United States supplied about two-thirds of the wheat and over 90 percent of the flour imported during 1954, with Canada furnishing the remainder. An experimental planting of 300 acres of hard wheat is reportedly being made in La Villas Province.

Miscellaneous Food Crops

Corn production, which is up slightly in 1955 over the previous year, will probably increase gradually within the next few years, as the planting of hybrid seed becomes more prevalent. Some locally-grown hybrid strains have been developed and are being marketed commercially. Excellent results have been reported from fairly large acreages. There is an increasing use of corn for mixing with

imported concentrates in the manufacture of livestock feed, principally for feeding poultry. However, over half the total production is still used for human consumption. The production of corn is encouraged by a price support program that guarantees farmers a minimum price. About 15 percent of the 1954 crop was exported, but it is expected that exports from the 1955 production will be considerably below this quantity, since there have been no shipments thus far.

Potato production has exceeded consumption requirements for the last several seasons. Controls on the quantity of seed imported are expected to reduce the next season's crop, the harvesting of which begins in December. In previous years Cuba has been unable to find a market for its surplus production, but in 1955, due to an unusual shortage in the United States, a small quantity was shipped to that market. Despite the surplus production, Cuba usually imports a substantial quantity of potatoes from the United States for consumption during the period of seasonal shortage, usually from August to December. All imports, however, are entered during the low-duty period, August 1 to October 31. In 1955, imports did not begin until after the middle of September because of the large stocks of locally-grown potatoes carried in storage. Locally-grown potatoes deteriorate rapidly in storage after the first of August, and although during 1955 such potatoes were on the market until the latter part of September, the quality could not be considered acceptable. Nevertheless, importers did not bring in any United States potatoes until these stocks were exhausted.

A number of varieties of sweet potatoes and yams are widely grown and consumed throughout the Island. There is generally some increase in consumption of these when the income of the rural population declines and they are unable to afford as much rice as they customarily consume. This is also true of yucca (cassava) which is grown in all parts of Cuba.

Although there is some production of onions in Cuba, the country depends upon imports for 80 percent of its consumption requirements. All but a fraction of the onions received in 1954 were from the United States, and the proportion will probably be the same in 1955. Local production of garlic supplies only 15 percent of quantity consumed. The remainder is imported from a number of countries, of which Italy was the main supplier in 1954.

Fruit Crops

Although avocados are grown mostly for domestic consumption, a substantial export trade has been developed in recent years. Practically all of the shipments are to the United States market. In 1955, for the first time all avocados going to the United States were inspected by United States Department of Agriculture inspectors before being loaded for shipment.

Oranges are an important crop in Cuba and are marketed during all months of the year. For a variety of reasons, among which are tariff barriers and high marketing costs, Cuba has not been able to establish an export market for oranges and, except for an occasional small shipment, the entire production is consumed domestically. On the other hand, the grapefruit industry, most of which is located on the Isle of Pines, has been based on the export market, principally with the United States. Each season all grapefruit are exported

during the period of August 1 to September 30, during which a reduced tariff rate on Cuban grapefruit is applicable in the United States. Grapefruit exports during 1955 were down to almost half those of previous seasons because of new marketing regulations in the United States that required that imported grapefruit meet certain juice and maturity specifications. However, the loss in quantity was offset to some extent by the considerably better prices received this year on shipments to the United States market.

Plantains and bananas are now grown principally for domestic consumption. The export trade in bananas, which ranked fourth in value among Cuban exports during pre-war years, has now declined to a relatively unimportant level. Disease and high production costs are attributed to be the principal reasons for this decline.

Considerably over half of the pineapple production is exported in the fresh state, the United States being the principal market and usually receiving over 90 percent of the total shipments. In addition, there is a substantial quantity of brined and canned pineapple and pineapple juice exported. The United States is also the principal market for these products.

Coffee

After importing coffee for many years, production has now reached the point to where there is expected to be a surplus for export from the 1955 crop of about 15,000 metric tons. Probably half of this quantity will be shipped during calendar 1955 and the remainder during the early months of 1956. There was also a small exportable surplus from the 1954 crop and export permits were issued for the shipment of 4,461 metric tons, all of which is expected to be shipped during calendar 1955. Exporters may have some difficulty in establishing a market for low-grade unwashed coffee. Coffee of this quality comprises a substantial part of the total production. Only 8 percent of the production consists of washed coffee, for which there is a ready export market. However, some of the unwashed coffee is of acceptable quality for export.

Tobacco

Cuba produces mostly cigar-type tobacco for wrappers, binders, and fillers. Shade-grown tobacco for wrappers is of the highest quality; this type of tobacco comprises less than 10 percent of the total output. Most of the sun-grown tobacco is used for cigar filler; however, about one-fourth of the total is used in the domestic manufacture of strong cigarettes. Production in recent years has considerably exceeded market outlets and a stabilization fund was created to purchase surplus stocks and take them off the market. Also production controls have been established to reduce crops. Approximately 40 percent of the total output is exported as leaf tobacco. In addition, there is a substantial export of locally-made cigars.

Beef, Pork and Lard

An unusually long dry season curtailed beef production in late 1954 and the first half of 1955. The most critical shortage was felt in mid-1955 and the Government lifted all taxes and duties on beef imports for about three months. Most of the beef imported, even during this period, was to supply a

few markets in Habana selling quality beef, and although imports of fresh beef were above the year before, they were insufficient to appreciably relieve the over-all shortage.

Cured pork is one of the most important commodities imported in Cuba. The United States usually supplies all but a fraction of pork imports. As a result of lower landed prices for this product during 1954, imports were more than double the quantity received in 1953. With prices still lower in 1955, cured pork imports are expected to be significantly higher than the previous year.

There is no significant production of lard in Cuba and domestic requirements must be supplied by imports. For many years the United States has been the principal supplier and in recent years has furnished all imports. It appears that lard marketings, all of which will probably be imported from the United States, will be larger in 1955 than they have been during any year since 1952. This increase is attributed to the fact that prices during 1955 have been lower than those in the two previous years, thus encouraging greater demand.

Poultry and Eggs

Commercial broiler production has increased rapidly in the last few years and is expected to amount to over 9 million head in 1955. Production has been increasing at the rate of 15 to 20 percent annually. It is probable that production will continue upward. Probably about half of the hatching eggs incubated in Cuba are imported from the United States and the remainder is produced from high-quality stock originally imported from this country. Some dressed, frozen poultry is imported from the United States, but this quantity is relatively small in comparison with total poultry production. A special duty of 5 cents per head on baby chicks imported was suspended in May, 1955, and this may result in some increase in imports. However, it will probably take some time to restore the market, which had dropped in 1954 to 10 percent of the 1950 volume. The United States has usually been the only supplier of baby chicks.

Egg production has been increasing slowly but imports still supply almost half of the domestic requirements. Most of the egg production in Cuba comes from small farm flocks and there is little fluctuation from year to year. There are a few large scale commercial egg farms in operation and such production is reported to be increasing slowly. Locally-produced eggs are generally small and in poor condition by the time they reach market. Nevertheless, these eggs are reported to bring a better price than imported eggs, all of which are usually received from the United States.

Dairy Products

Most of the butter consumed in Cuba is produced locally and only a small amount is supplied by imports. The quality of domestic butter is generally good. About one-fifth of the cheese requirements are supplied by imports. The Netherlands supplied 80 percent of the imports in 1954 and the United States most of the remainder. A variety of cheese of good quality is manufactured locally. Only a relatively small quantity of condensed milk is imported, while the domestic production is one of the most important dairy products. On the other hand, local production of evaporated milk is not significant and imports, largely from the United States, supply nearly all of the market. Although most of the powdered milk is imported, the total quantity marketed is small in comparison to sales of condensed and evaporated milk.

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FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D. C.

FATP 44-55

DEC 18 1955
December 5, 1955

The Current Agricultural Situation in Venezuela 1/

Venezuelan agriculture continues to show progress towards self-sufficiency. There are no unmanageable surpluses although both sugar and rice production this year will exceed prospective demand somewhat. Coffee and cacao currently are the principal export crops. Most other crops and meats generally produced in the country are in adequate supply.

Cotton production is down and modest imports may be needed. The country will continue to import in fairly large quantities wheat flour, powdered milk, rolled oats, malted barley, eggs, fresh and dried fruits, potatoes, cheese, a wide variety of canned meats, fruits, vegetables and dietary foods. In general, half of the food imports come from the United States. Our principal competitors for this market are Canada, Holland, Denmark, Great Britain and Italy.

The agricultural situation in Venezuela may be examined from the standpoint of export crops, crops grown entirely for local consumption and imported agricultural commodities.

Export Crops

Coffee and Cacao

The only current export crops are coffee and cacao, neither of which is being harvested as yet. Heavy rains have been falling in the principal coffee region and may cause a reduction in harvest. However, there is no reason to estimate a coffee crop for 1955-56 of less than 600,000 bags of 60 kilos, which is a reduction below last year of 25 percent.

Cacao remains stable and the quantity harvested will depend upon prices. Marginal orchards will not be harvested if prices are too low. Currently it is estimated the cacao beans available for export in 1956 will approximate 15,400 short tons, a slight reduction below last year. (Table 1)

Crops For Local Consumption

The principal food crops grown for local consumption in Venezuela are corn, rice and beans and the tubers yuca (cassava), potatoes, ocumos, yams, apio, bananas, platanos, etc.

1/ Prepared for publication in the Latin American Analysis Branch.

Root Crops

There are never any shortages of tubers other than potatoes and local potato production is increasing as is also experience in potato storage and in growing a wet season potato. At this time of year the main lowland (irrigated) potato crop is just being planted. Potato prices have been good and potato acreage this year will be increased. The highland potato crop hardly needs to be considered as the mountain potatoes are consumed near the producing area and seldom reach the large city markets.

Potato imports are subject to license and the Government decided that 27,600 short tons would be sufficient imports for Venezuela's off-season. Potatoes, of course, are not the essential starch food in this country as they are in the United States, and the tonnage of yuca consumed far exceeds that of potatoes. Large quantities of ocumo, yams, apio, sweet potatoes, squash, plantains and bananas are also consumed.

It is apparent that, regardless of potato prices in the supplying countries, the retail price in Caracas never falls below 5.5 U.S. cents per pound. The reason for this, of course, is the license control which is based on a calculated demand at customary prices. Currently our principal competition in potatoes comes from Holland. Frequently competition for the potatoes - for consumption market - is supplied by Canada and Holland and both supply excellent tubers.

For seed potatoes Germany sometimes becomes a supplier but the Canadians usually supply most of the seed potatoes, as they have this year.

Corn, Rice and Beans

Favorable rains have raised the prospects for corn from poor at planting time to self-sufficiency now. The corn harvest will fall below the 1953 bumper crop when the corn surplus was troublesome and was used in barter arrangements with Panama and El Salvador. This year's harvest should approximate 1,279,500 bushels and while this quantity would normally be considered sufficient, the increased consumption of corn in mixed animal feeds may possibly require some grain imports by June 1956. If imports of feed grains become necessary the United States has no competition.

Last year (1954) the bumper rice crop was troublesome and the Government was dismayed at its rice surplus. Prompt action was taken to reduce acreage, reduce the support price, limit the quantity that would be eligible for price support and to reduce the number and size of production loans. These actions combined with a severe drought at planting time proved effective. The rice harvest is 25 percent below that of last year (1954 - 132,300 short tons; 1955 - 99,200 short tons). This is rough rice but with the carryover from 1954 there will be no need to import rice.

Beans have just been planted and all prospects are for a good crop and self-sufficiency. Costa Rica in times past has supplied black beans as needed. Venezuela imports several species of the bean family, principally garbanzos, lentils and some white beans. They come from seventeen countries but imports for the first six months of 1955 were 60 percent from the United States and 24 percent from French Morocco.

Mixed Animal Feeds

Production of mixed animal feeds shows a slight increase (4.7 percent) for the first six months of 1955 as compared with the same period of 1954. The total production for this six month period of 1955 was 35,700 short tons. Mixed feed production has increased steadily over the years and during the five years 1950-54 increased from 17,408 short tons to 65,300 short tons. The big increase was in chicken feed which in 1950 amounted to 4,121 metric tons and in 1954 reached 32,300 short tons, or about half the mixed feed produced.

Mixed feeds enjoy customs protection but prime materials not available in Venezuela are imported at nominal duties. In 1954 imported prepared animal feeds amounted to 2,400 short tons, of which 2,300 came from the United States. The U.S. continued to dominate this modest market during the first six months of 1955 when mixed feed imports were 1,900 short tons, of which 1,800 short tons came from the United States.

Oil Seeds

Venezuela produces four oil seeds, coconuts, sesame, cotton seed and Elaeis (African oil palm). The former is the most important on a tonnage basis. Acreage increase in coconuts is small and there is no real impetus to become self-sufficient in copra. Both copra and sesame enjoy price supports; copra at \$300. per 1.1 short ton and sesame at \$360. No imports of oil seeds (other than essential oils and flax) are permitted until the crushers have purchased all local copra and sesame. The local copra crop is about 16,500 short tons.

There is an impetus behind sesame. In fact Venezuela has a Sesame Foundation created to improve this valuable oil seed and further its use. Sesame production is steadily increasing and will reach 11,000 short tons this year. Even so, use is increasing faster and seed will be imported. This seed sometimes comes from Nicaragua but lately has come from the Sudan. In Venezuela sesame follows the rice crop and is harvested with a grain binder. The oil is used principally as a table oil and has largely displaced olive oil.

Cotton seed is the third oil seed in this country but, with a cotton crop of about 12,000 bales, cotton seed oil is a small factor in vegetable oil consumption. Elaeis is grown on only one plantation. Production has reached 16,500 short tons per year but much of this is in oil drums. Acreage is being expanded slowly. Production is improving and inflorescences weighing 70 kilograms have been harvested though the mean weight is nearer 30 kilograms. Both palm oil and palm kernel oil is being extracted.

Hydrogenated vegetable oil is imported by the vegetable lard industry chiefly from the United States but also from Holland and Belgium.

Fibers

There are really only two fibers grown in Venezuela - cotton and sisal. This ignores the palm fibers of which there are several, most of which are extracted and used by the Indians for hammocks (chinchorros).

One kilogram = 2.2046 pounds

Cotton production estimates place this year's crop at only 8,800 bales though it will probably be 12,000. In any event, cotton imports will be necessary. Even at best, cotton lint imports will **probably not** exceed 10,000 bales. During the first six months of this year 4,000 bales were imported, of which 3,200 or 81 percent came from the United States; Brazil supplied 700 bales probably of staple length.

Sisal is in chronic overproduction for local use and cannot be sold freely on the world market these days because of high cost production.

Venezuela has a large modern rope mill that twists an excellent product used by the petroleum companies and other marine users. It also has two modern bag factories, one with cylindrical looms and the quality of these bags is high. Both mills are constantly seeking local outlets for products of sisal fiber. The difficulty is that high post war prices caused too much sisal to be planted and, unfortunately, there is no good alternative crop for the low rainfall area where sisal is the principal crop. Of course, in this country there are no mountainous surpluses, but relative to the population and those engaged in production, an unsalable surplus of 6,600 short tons seems oppressively large.

Sugar

Venezuela is finally self-sufficient in sugar. Sugar production is now estimated at 121,200 short tons which will meet demand.

Tobacco

Tobacco is in oversupply except for special types such as Turkish. Acreage has been reduced and in Venezuela a reduction in acreage results in a lower harvest. Seed beds have just been planted for the 1955-56 crop and there is every reason to expect a further reduction in acreage. This will not cause a leaf shortage with consequent high prices and a demand on the part of the cigarette companies for increased leaf imports. However, the local companies may find it difficult to get former growers back into production when the need does arise. At present, the tobacco situation is stabilized with the manufacturers fully supplied. Cigarette smoking is increasing with population and prosperity and so is cigarette manufacture and imports. Practically all (98 percent) of the cigarettes imported come from the United States.

Livestock

Livestock for meat is limited to cattle, pigs and goats. A guess as to the size of the beef herd is 6,100,000 for a human population of 5,750,000, which shows there is no shortage. There are determined efforts on the part of cattlemen, the Ministry of Agriculture, the Banco Agricola y Pecuario and the Corporacion Venezolana de Fomento to improve the herd. No doubt all these efforts will achieve improvement and, meanwhile, Venezuela is a heavy purchaser of beef breeding animals from the United States, particularly from Texas and Florida.

Hog raising is not an animal industry of consequence in Venezuela. Possibly there are 1,600,000 hogs there, or maybe two million. The U.S. interest in Venezuela's hogs is the quarantine against swine and uncooked pork products,

brought on by the well publicized epidemic of vesicular exanthema. Goats are found in numbers greater than the market demands. The Ministry of Agriculture is trying (and succeeding) to eliminate goats from large areas and to strictly control numbers and herd management elsewhere. There is about as much uncertainty as to the size of the goat herd as there is as to swine. Goats slaughtered probably range from 40,000 to 70,000 per year. The Venezuelan customs service shows close to a million goat skins exported each year and some goat skins are used locally.

The livestock for meat situation, then, may be summed up as being comfortable for the Venezuelans with no opportunity for U.S. beef exporters. Also there is no opportunity for exporting live hogs or uncooked pork under the present quarantine regulation, against vesicular exanthema. Meanwhile, canned hams and pork products enter without difficulty. In these items Poland, Denmark and Holland provide stiff competition. Meat imports, however, are under import license and not many licenses are granted.

Poultry

Poultry raising has its ups and downs and at present it is down. Dressed broilers and fryers are selling at 75 U.S. cents per pound but feed is \$9.50 per 100 pounds. All the baby chicks on which the local industry is based are hatched in the United States. The licensed annual imports approximate 6 million baby chicks all from the United States.

Eggs really should be discussed under agricultural imports because more eggs are probably imported than are laid in this country, if we limit the egg discussion to domesticated poultry. Egg imports for the first six months of 1955 were 18.7 percent above those for the same period of 1954. The U.S. share of this market rose from 44.4 percent to 54 percent. Our egg competitors are Denmark and Canada. Recently, too, even Argentina has put eggs on this market. Egg flocks are small, largely in the hands of immigrants who can get into this business with little capital on rented land and with low overhead.

Dairy

Venezuela has a surplus of fluid milk and butter, yet imports preserved milk, butter and cheese. The latter, of course, is understandable as cheeses differ.

An explanation for powdered milk imports may be because in Venezuela powdered whole milk sells at a price that permits conversion to fluid milk at 15 U.S. cents per quart. Local pasteurized whole milk has a Government fixed price of 30 U.S. cents per quart. One reason for this is the Government's subsidy to producers of about 4.7 U.S. cents per quart.

The Venezuelan dairymen would like to see real restrictions on imported powdered milk. They believe that with imported milk powder eliminated they would have no difficulty in selling all their milk for fluid consumption. Also the country now has two powdered milk plants and will shortly have three. The tie-in ratio whereby an importer must purchase 1 part domestic product to 6 parts imported in order to import the powdered milk duty free will operate up

to the point where 16.7 percent of the powdered milk consumed is processed locally. Local production in 1954 was approximately 12 percent of imports and this percentage should rise this year and could pass the 16.7 point in 1956.

Table 1. Estimated Production of Principal Agricultural Products for 1955 (in some cases 1955-1956)

	<u>Short tons</u> (in thousands)
Corn	358
Cassava	303
Milk, fluid	68,686 gallons
Sugar	121
Rice (rough)	99
Ocumo	72
Beans	77
Animal feeds	66
Yams	61
Coffee	40
Fish	50
Potatoes	44
Vegetable lard	28
Sweet potatoes	22
Cacao	18
Copra	17
Apio	13
Peas	17
Mapuey	11
Sesame	11
Cotton seed	4
Wheat	7
Tobacco (flue cured)	3
Cotton	3
Preserved milk	4
Butter	3
Bananas	.50 million stems
Platanos	555 million fruits
Cigarettes	3 billion units
Beef (head)	6,100,000
Swine (head)	1,600,000
Goats (head)	3,000,000
Sheep (head)	60,000

Imported Agricultural Products

During the first six months of 1955 the dollar value of all Venezuelan imports by other than air was 432,492,976.50, of which 317,895,283.20, or 73.3 percent, were from the United States.

These data are of some general use but are deficient in specific items. For example, some large but unknown quantity of cigarettes enter by air, practically all live animals including in 1954 eight million baby chicks and about five million dollars' worth of cattle. The cigarettes, chicks and almost all the cattle are from the United States. Added to these agricultural items is a growing list of manufactured goods. These manufactured items originate almost entirely in the United States and therefore the 73.3 percent given above is actually too low by an unknown but substantial amount. Almost 25 percent of total imports measured in dollars were for agricultural products if we include in these the textiles and wood products. Of these agricultural products that entered by other than air, the United States supplied 52 percent. The breakdown into general groups is given below:

Dollar value of imports of agricultural products for
six months - January-June, 1955

	<u>U.S. Dollars</u> (in millions)		
	<u>Total Value</u>	<u>U.S. Share</u>	<u>% U.S.A.</u>
Food 1/	60.0	30.2	50
Textiles 2/	24.0	11.3	46
Animal products 3/	1.9	0.9	47
Vegetable products 4/	9.1	6.4	70
Wood and Paper 5/	12.0	6.8	57
Total	<u>107.0</u>	<u>55.6</u>	

1/ includes beverages

2/ includes raw cotton

3/ does not include live animals, baby chicks, etc.

4/ includes oil seeds, leaf tobacco and some cigarettes

5/ includes newsprint and wooden furniture

Venezuela is at the moment in the position where a prime material, petroleum, is being exchanged for processed goods and food. The country may fairly be described as being in a transitional phase. It is trying to free itself from the need to import so much manufactured goods and also from as much of its dependency on off-shore food supplies as is agronomically possible. Both attempts are making progress and each year sees the country gaining freedom from the need to import industrial products. More and more factories are being built to supply the Venezuelan market with goods.

In agriculture, the country is also becoming self-sufficient in many things imported in the past. This progress will continue and, in fact, the rate will accelerate when the Government's petro-chemical industry provides 165,000 short tons of commercial fertilizer to apply to the acres using 16,500 tons today. Even after the country is faced with surplus farm products there will be some agricultural prime materials that have to be imported. Wheat, malted barley, oats, temperate zone fruits, certain cheeses and wine cannot be produced and will remain imports.

The following table lists the principal imported food products in which the United States is interested:

Principal Food Imports January-June 1955 in Thousands of U.S. Dollars

	<u>Total</u>	<u>Percent from:</u>	
		<u>U. S.</u>	<u>Nearest competitor</u>
Hydrogenated oils	169	64	17 1/
Oats	1,357	55	42 2/
Feeds	340	95	3 3/
Dietary foods	2,834	89	10 4/
Malted barley	1,733	78	5 5/
Canned foods	3,015	73	7 6/
Sausage	1,023	21	33 7/
Fresh fruits	2,394	78	13 8/
Dried fruits	361	94	6 9/
Canned fruits	389	89	4 10/
Lentils, beans, etc.	1,850	63	23 11/
Eggs	4,046	56	23 12/
Flour	10,820	43	69 13/
Fruit juices	383	93	4 14/
Preserved milk	12,305	66	18 15/
Lard	150	98	2 16/
Potatoes	217	14	78 17/
Cheese	2,304	12	40 18/
Wine	659	22	35 19/
Unspecified	2,045	57	7 20/

1/ Holland	11/ French Morocco
2/ Canada	12/ Denmark
3/ Canada	13/ Canada
4/ Irish Republic	14/ Spain
5/ Great Britain	15/ Canada
6/ Great Britain	16/ Holland
7/ Italy	17/ Holland
8/ Argentina	18/ Holland
9/ Italy	19/ Portugal
10/ Cuba	20/ Belgium

A quick glance at this table shows we are the principal supplier of fifteen of the twenty items. We still have over 65 percent of the market for preserved milk which is value-wise the most important import in the group. We are secondary in sausage, wheat flour, potatoes, cheese and wine.

General Economic Situation

As everyone knows, the economic situation of Venezuela is petroleum. The more barrels of petroleum sold and the higher the price, the better the Venezuelan economic situation. The Government does not hoard its petroleum profits. It is the largest employer in the country, pays well and regularly. So do the petroleum

companies. There is no question of the percolating prosperity; sugar consumption, alone, tells us that. Although the money is filtering out and down, this fact does not in itself permit the prediction the market for agricultural products is expanding concomitantly and at the same rate as the country's income.

About the best we can do in predicting markets for the future is to state that the food and fiber pattern is fairly well fixed. There will be no sudden change in consumption. Sales will increase with population, possibly a hair faster as the city destruction and rebirth slows and the over-building of apartments gradually results in a decline in shelter costs. All this depends on a continuing market for the petroleum. Venezuela buys over \$500,000,000 worth of U.S. goods each year, about one-fourth of which are agricultural, and remits \$500,000,000 in payment of dividends and for services without U.S. government loans or grants. It pays this billion dollars in dollars.



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UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D. C.

FATP 45-55

December 9, 1955

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Chile: Agricultural Situation for 1955 1/

Chilean production of agricultural crops in 1954-55 were considerably above those of a year ago, but the outlook for 1955-56 is not bright. Production is expected to decline again.

Although the 1954-55 crop yield was far more than the previous year, retail prices of uncontrolled agricultural products have gone up at a rate superior to the actual trend of inflation. Total food imports for 1955 will be lower than in 1954 due principally to an insufficient quantity of dollars assigned to such imports. However, United States Public Law 480 (Agricultural Trade Development and Assistance Act of 1954) has enabled the peso purchase of wheat and vegetable oil at an opportune time, and Chile seems anxious to make more use of such purchases.

Compared to previous years, exports of agricultural products have also decreased, because the exchange rates granted were not sufficient to cover the real value of the merchandise.

The economic situation of Chile is causing grave discontent as prices on nearly all food and industrial products have increased. In recent months, the free exchange rate, though varying, seems to have stabilized at around 700 paper pesos to the dollar after having undergone marked advances earlier in the year. Currently, however, the increased prices on the world copper market have materially improved the Chilean foreign exchange situation. Faced with a deficit of US\$ 133 million at the beginning of the year, the National Foreign Commerce Council now calculates the deficit will not exceed US\$30 million. For the coming year, if present copper prices continue and exchange rates for exports improve, the foreign credit situation is expected to be even better.

Production

Due to excellent weather conditions the harvest of the 1954-55 crop year yielded much more than that of previous years. This was most true in regard to grains, pulses and fruits. Disappearance of foodstuffs will probably be greater in 1955 than in 1954 in spite of reduced imports. This is related to a considerable carryover, to increased harvests (except for wheat), and to reduced exports. Thus stocks at the end of the year are expected to be lower than at the beginning. (Table 1)

1/ Prepared for publication in the Latin American Analysis Branch.

Table 1. Supply and Distribution of Important Food, 1954 compared with 1955:

(Quantities in 1000's of short tons)

Product	1954					
	: Stock : : 1 Jan. : : 1954 :	: Produc- : tion : :	: Imports : :	: Total : : Supply : :	: Exports : :	: Domestic : disappearance : :
Grains <u>1/</u>	121	1,398	242	1,761	35	1,621
Potatoes	8	667	-	675	-	606
Pulses	13	118	-	131	48	77
Other vegetables	1	320	-	321	-	320
Sugar	7	1	280	288	-	276
Edible Oils <u>2/</u>	3	20	19	42	-	38
Meat <u>3/</u>	3	176	22	201	1	196
Eggs	1	33	-	34	-	33
Milk <u>4/</u>	1	739	1	741	-	739
Animal fats <u>5/</u>	1	11	2	14	-	13
Fish & Shellfish <u>6/</u>	3	158	-	161	1	154
Fruits <u>7/</u>	22	253	28	303	18	270
Processed foods <u>8/</u>	-	11	-	11	1	10
Onions	1	104	-	105	10	88
Garlic	-	10	-	10	6	4
Nuts	-	7	-	7	1	6
Honey	-	4	-	4	1	3
Coffee	1	-	7	8	-	7
Tea	-	-	3	3	-	3
Yerba Mate	1	-	11	12	-	11
Cacao	-	-	1	1	-	1
Total	187	4,030	616	4,833	122	4,478

1/ Based on rough grain.

2/ Figures for production of edible oils cover crushing of domestic oilseeds during the period. Import figures cover refined edible equivalents of imported oilseeds and raw oils. Stocks cover refined equivalents of semi-refined oils, raw oils and oilseeds.

3/ Meat from cattle, sheep, goats and hogs. Imports include meat equivalents of live animals and are subtracted from domestic slaughterhouse output to obtain figures on production of meat from purely domestic sources.

4/ Fresh whole milk basis-stocks and imports include fresh equivalents of processed milk products.

5/ Includes lard, tallow and other animal fats.

6/ Includes catch of fish and shellfish used for food. Stock and export figures include fresh equivalent of processed fish.

7/ Fresh equivalents of processed fruit included in stock and foreign trade figure, grapes for wine manufacture not included.

8/ Includes miscellaneous processed food not included in other groups.

Table 11. Supply and Distribution of Important Food, 1954 compared with 1955:

(Quantities in 1000's of short tons)

Products	1955						Domestic disappearance	Stock 1 Jan. 1956
	Stock 1 Jan. 1955	Production	Imports	Total Supply	Exports			
Grains <u>1/</u>	105	1,627	165	1,897	27	1,819	51	
Potatoes	68	673	-	741	-	716	24	
Pulses	6	116	-	122	44	77	1	
Other vegetables	1	331	-	332	-	320	12	
Sugar	12	1	276	289	-	276	13	
Edible Oils <u>2/</u>	3	20	22	45	-	40	6	
Meat <u>3/</u>	4	176	28	208	1	198	9	
Eggs	1	33	-	34	-	33	1	
Milk <u>4/</u>	2	761	2	765	-	750	15	
Animal fats <u>5/</u>	1	13	2	16	-	14	2	
Fish & Shellfish <u>6/</u>	6	160	-	166	1	160	4	
Fruits <u>7/</u>	15	309	22	346	16	314	15	
Processed foods <u>8/</u>	-	11	-	11	1	10	-	
Onions	7	99	-	106	6	88	12	
Garlic	-	10	-	10	3	4	2	
Nuts	-	7	-	7	1	6	-	
Honey	-	4	-	4	1	3	-	
Coffee	1	-	6	7	-	6	1	
Tea	-	-	2	2	-	2	-	
Yerba Mate	1	-	9	10	-	9	-	
Cacao	-	-	1	1	-	1	-	
Total	233	4,351	535	5,119	101	4,846	168	

1/ Based on rough grain.

2/ Figures for production of edible oils cover crushing of domestic oilseeds during the period. Import figures cover refined edible equivalents of imported oilseeds and raw oils. Stocks cover refined equivalents of semi-refined oils, raw oils and oilseeds.

3/ Meat from cattle, sheep, goats and hogs. Imports include meat equivalents of live animals and are subtracted from domestic slaughterhouse output to obtain figures on production of meat from purely domestic sources.

4/ Fresh whole milk basis-stocks and imports include fresh equivalents of processed milk products.

5/ Includes lard, tallow and other animal fats.

6/ Includes catch of fish and shellfish used for food. Stock and export figures include fresh equivalent of processed fish.

7/ Fresh equivalents of processed fruit included in stock and foreign trade figure, grapes for wine manufacture not included.

8/ Includes miscellaneous processed food not included in other groups.

The first estimates for the 1955-56 harvest indicate a lower production than obtained last year. Production of certain fruits and grains will no doubt be affected by the adverse weather conditions in the central and northern zones during the recent winter. Furthermore, acreage has been reduced because of the low prices for certain agricultural products, especially those under government control. Another factor has been exporters' difficulties in finding markets for their merchandise at the actual unfavorable exchange rate. Having to export at a rate less than half that of the peso cost of imported farm machinery replacement parts, etc., has been a real problem to producers, and could account for reduced planting intentions in the coming crop year.

Import Situation

Faced with insufficient foreign exchange and particularly a dollar shortage, Chile has had to look to soft currency areas or to bilateral trade agreements in order to supply her agricultural imports. While at times such an arrangement has worked out to a higher price for an article than if the same product were purchased from the United States, there has seemed to be no other alternative, especially in trade with those countries where Chile has credits that can be cancelled in no other way. However, the agreement with the United States on the first contract under Public Law 480 has opened a new door which Chile appears anxious to use.

With reference to wheat and vegetable oil, the current situation is provided for with the recent arrival of U.S. wheat purchased under Public Law 480, and with larger tonnages of Argentine wheat entering Chile under the Chile-Argentine Agreement. Due to the dry winter of the current year, the coming wheat crop is expected to be below requirements, and further imports again will be necessary. Faced with this necessity, Chile is looking not only for the cheapest source of supply, but also where hard currency will not be committed.

Edible Oils

The world depression forced Chile to seek domestic sources of edible oil, which led to the growth of the local sunflowerseed industry, and to dependence upon Argentina as the residual supplier. Shortages in Argentina have caused Chile to look to other countries, and Public Law 480 has already provided a ready way to fill her needs, while at the same time dollar purchases from the United States have been made. Further imports are pending, of which some will probably be dollar purchases.

Animal Products

During the last 20 years Chile has been in short supply as regards animal products, which she has usually obtained from Argentina. The existing trade agreement between the two countries provides for live animal imports (sheep and cattle) for slaughter, and also for pork cuts, lard and butter. The cattle brought in from Argentina travel over the Andean passes and then must go through a pasturing period prior to slaughter, thus using valuable land that perhaps otherwise could be better utilized.

Export Situation

Since 1946 agricultural exports have decreased, totalling only about \$24 million in 1954. This decline is continuing still more during the current year. Increasing government regulations in order to obtain export permits, and the peso rate of return in comparison to the peso cost of imported replacement needs, have been factors in reduced agricultural exports. As a partial gesture to alleviate the situation the government raised the export exchange rates from 200 to 300 paper pesos per dollar, beginning July 1955. But even this new rate was no incentive for exports, and so several preferential exchange rates were introduced, e.g. 450 paper pesos per dollar for potato starch. It is estimated that the exchange rate for fruits of the next crop will be fixed around 300 paper pesos per dollar.

Exports of food for 1955 are expected to be 17 percent less than in 1954. This decrease, as mentioned is principally due to the unfavorable exchange rate. Among the products normally exported, garlic, onions and apples suffered the greatest actual loss, though the Ministry of Agriculture has estimated that due to lack of a sound export policy there were at least an additional \$6 million worth of agricultural products which for one reason or another could not be exported. (Table 3)

Value of Imports and Exports of Food Products,
Calendar Year 1954, and January to June 1954, January to June 1955
(in thousands of U.S. Dollars)

Product	I m p o r t s			E x p o r t s		
	1954	1954	1955	1954	1954	1955
		Jan-June	Jan-June		Jan-June	Jan-June
Fish	42	28	34	97	80	206
Live animals	6,722	1,403	2,222	386	130	132
Poultry and Honey	71	44	7	470	200	651
Grains	18,680	6,125	7,675	467	344	171
Pulses	7	-	10	7,512	2,789	2,278
Fruits & Vegetables	2,443	1,290	1,371	4,387	2,936	2,529
Stimulant foods	13,367	6,645	8,150	-	-	-
Spices	139	23	30	1,746	1,447	785
Oleaginous seeds	96	91	77	-	-	1/
Meat products	2,882	420	1,826	337	270	134
Edible fats	3,755	2,020	702	-	-	-
Dairy products	1,394	719	5,441	-	-	-
Edible flours	597	39	150	579	183	87
Canned foods	273	113	183	2,950	1,900	1,345
Sugar and products	23,668	12,187	10,394	2	-	1
Beverages	450	306	372	1,761	912	606
Edible oils	6,800	4,004	2,566	-	-	-
Total	81,386	35,457	41,611	20,694	11,191	8,922 2/

1/ Less than \$500.00

2/ Adjusted total.

One Gold Peso = US\$ 0.20597

supply. Public Law 480 now offers an opportunity to purchase at least some of the desired United States products that Chile has been unable to purchase because of a shortage of exchange.

Value of U.S. Exports of Principal Agricultural Commodities to Chile, 1954

(1000 Dollars)

Non-fat dry milk	1,187
Tallow, inedible	433
Cotton, raw	5,526
Cottonseed oil, refined	3,181
Hops	409



FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D. C.

FATP 46-55

December 14, 1955

THE AGRICULTURAL SITUATION IN THE PHILIPPINES, 1955

GENERAL SUMMARY

Philippine food and commercial crop production in 1955 aggregated about 9.5 million metric tons. This represents an increase of 742,880 metric tons, or 8.5 percent over the previous year. The total land area devoted to agriculture, both food and fiber, is preliminarily estimated at about 14,921,000 acres, as compared with 14,203,000 acres in 1954.

Production of food, including fish, during the crop year 1954-55 amounting to 7.8 million metric tons, represents an increase of about 10 percent compared with the previous year. Cereals, root crops, fruits and vegetables, and sugar are all principal food crops produced. The greatest increases in production were in fruits and vegetables. While production of cereals remained about the same, root crops production increased by 70,000 metric tons in 1954-55. Per capita production of domestic milk continues negligible.

Production of commercial crops in 1955 is expected to increase by approximately 64,000 metric tons (See Table 2). Production of copra and coconut oil in terms of copra equivalent in 1955 is expected to increase by 5 percent over the previous year. Preliminary estimates on leaf tobacco production in 1954-55 show an increase of about 44 percent over 1953-54. The largest increase occurred in Virginia type leaf tobacco. Production of other commercial crops shows slight increase except molasses. Molasses production decreased by 9,000 metric tons due to the decrease in sugar production. While sugar is an important food crop in the Philippines, it is mostly an export crop. Of the total production of 1,244,000 metric tons in 1954-55, only 219,000 tons were consumed locally, 832,000 tons were exported, and the remaining 193,000 tons were added to the stocks.

Philippine import-export policy did not change significantly from the previous year. The commodity pattern of agricultural imports and exports remained about the same. By order of importance, coconut products, sugar, abaca, canned pineapples, and tobacco continued to be among the principal export commodities. Wheat flour, dairy products, raw and semi-manufactured cotton, vegetables and beans were the principal

agricultural imports. For the purpose of stabilizing prices and for stockpiling, 150,000 metric tons of milled rice are authorized to be imported in 1955.

Food supplies in the early part of 1956 are expected to be slightly higher than 1955. This includes major food items such as rice, corn, wheat flour, and sugar. Production of rice and corn in 1955-56 is expected to be larger than in 1954-55. Fish production is expected to increase due to more interest in fishpond culture and commercial fishing caused by the shortage in the production of meat.

Imports of such food items as wheat flour, dairy products, and meat are expected to be larger due to the Government's relaxation of import restrictions. Slaughter of import cattle is expected to increase in 1956 with the carabao slaughter ban still being enforced.

Production and exports of coconut products in 1956 are expected to be somewhat larger than 1955. Production of tobacco, especially Virginia-type tobacco, abaca, and other fibers is expected to increase.

MARKET SUMMARY

Rice. Prospects for forthcoming rice crop appear to be good. The officially estimated increase of 1.4 percent is now expected to be exceeded because of later favorable rains.

There appears little opportunity for marketing rice in the Philippines except under P. L. 480 for stockpiling purposes. NARIC, the government agency handling imports, would like to have an inventory of 100,000 tons in order to stabilize prices throughout the year. On a long term basis, with a more stabilized market condition, it appears that the Philippines would, at best, be an infrequent buyer of United States rice.

Tobacco. Increasing production of Virginia-type tobacco, prospering through high price supports and import restrictions, makes the outlook for marketing United States tobacco gloomy. Production is expected to increase 15 to 20 million pounds during the coming crop year. Present restrictive tobacco legislation may be modified during the next year. If this effort fails and local production continues to expand, there will be an almost complete loss of this market for the United States product. Even at best there will be a continuing decline in imports. The proposed P. L. 480 program, now under consideration, if consummated, will provide sufficient stocks for further aging of the local product which is important from a quality standpoint.

Livestock and Meat Products. Rehabilitation of the cattle industry has been slow. After 10 years the number of cattle is still slightly less than 60 percent of the 1941 figure of 1.6 million. Imports for slaughter purposes are continuing to increase. There is at present a 10 year plan before the government to import in sizable numbers breeding

cattle from Australia. The proposal will presumably make the Philippines self-sufficient in beef at the end of that period. It is doubtful that a plan of this magnitude can succeed. The adaptability of Australian cattle to the Philippines has not been established and it is doubtful if the small farmer, on whom a large part of this plan is predicated, will care for and manage these animals successfully.

There is perhaps an outlet for some of the frozen hearts, livers and other offal products from the United States for sausage making purposes. This has not yet been fully explored. Prospects of selling chilled or frozen beef from United States are negligible. Except for the luxury trade, United States beef is just too high priced.

Dairy Products. Significant developments in the future will be made by reconstituting powdered milk using coconut oil for fat content. A new plant was put into operation in October 1955 which has a capacity of 10,000 gallons per day. To date there appears to be good general acceptance of the product. There are several large companies interested in this process and have plans in various stages of development.

Fruits and Vegetables. Fruit and vegetable imports are classified as non-essential food items and are therefore banned. There is, however, a potential market for canned citrus products and perhaps dried fruits under a P. L. 480 program. Further investigation will determine what volume of products could be absorbed under such a program.

Cereals. Wheat flour imports increased during the past year and there are substantial quantities on hand. Prices have reflected this large inventory by moving downward and it is reported that some importers are selling below their cost in order to move stocks into retail channels.

Canada has about 55 percent of the market and the United States about 45 percent. There is a small but increasing amount of soft wheat flour imported from Australia. Prices work to the disadvantage of soft United States wheat flours. Canadian importers also have some price advantage over United States importers. They appear to have convinced bakers through aggressive merchandising methods that Canadian flour results in a better product.

SUPPLY AND DISTRIBUTION

PRODUCTION

1. Cereals. Rice and corn are the only important grains produced in the Philippines. Production of rough rice (palay) for the crop year ending June 30, 1955 is estimated at 72.8 million cavans of 44 kilograms equivalent to 2,082,000 metric tons of milled rice by weight. Preliminary official estimates placed corn production in 1954-55 at 770,000 metric tons, shelled basis. For comparison, production in 1953-54 amounted to 2,069,000 metric tons of milled rice and 781,000 tons of shelled corn. Production of other cereals is insignificant.

2. Root Crops. Preliminary production statistics for root crops during the crop year 1954-55 show a significant increase over the previous year. Production of the major root crops, sweet potato, and gabi was encouraged by the inadequate supply of rice. Production of cassava has not been greatly stimulated by the law requiring bakers to use at least 30 percent cassava flour with wheat flour. Production in 1954-55 showed an increase of only 9 percent over the previous year. The deterrents are inadequate cassava flour processing mills and poor quality. More and more cassava is going to industrial uses, such as starch.

3. Vegetables. Production of cabbage increased significantly. A large increase is also registered in other leafy vegetables.

4. Beans and Peas. Production of beans and peas increased 7,000 tons over the previous year. About 65 percent of the bean and pea production is consumed green and 35 percent dried.

5. Fruits and Nuts. The preliminary estimate of overall production of fruits and nuts for the crop year 1955 totaled 726,000 metric tons. This represents an increase of 105,000 tons over 1954. Only pineapples and citrus fruits were produced in smaller volume. Pineapple is primarily an export crop and production depends largely on foreign demand.

Banana and mango are the most important fruits of the Philippines. Banana is grown throughout the year and supply is available at any time. Production of other fruits (mostly avocado, lanzon, and papaya) registered the greatest increase. Citrus fruits (pommelo, mandarin and orange) as a group, rank third in importance, with pineapple moving to fourth.

6. Sugar. Sugar is an important export crop in the Philippines. For the crop year 1954-55, a total of 1,244,000 metric tons of centrifugal sugar was produced. This represents a decrease of 57,000 tons as compared with last year's crop of 1,301,000 metric tons. Muscovado sugar (native sugar) production in 1954-55 is estimated at 50,300 metric tons. Only about 18 percent of the total production was consumed locally while about 67 percent was exported. The remaining 15 percent or 193,000 tons was added to stocks. For the crop year 1955-56, sugar production is forecast at 1,095,000 metric tons. Decreases in 1955-56, as well as in 1954-55, were primarily due to a government order to restrict plantings because of a reduced quota. For 1956 the domestic quota is 200,000 metric tons as against 300,000 metric tons in 1955.

7. Edible Fats and Oils and Oilseeds. The estimated production of edible coconut oil in 1954-55 is estimated at 46,000 metric tons. This includes shortening and margarine which are manufactured from coconut oil. Production of dessicated coconut is preliminarily estimated at 48,000 metric tons, all of which was exported. Domestic consumption of dessicated coconut is insignificant.

It is roughly estimated that about 160,000 metric tons of coconuts were produced and consumed fresh in 1954-55. This estimate includes those nuts eaten raw and used in other culinary preparations. Peanut production

in 1954-55 is estimated at 18,000 metric tons, shelled basis. This compares with about 13,000 tons produced the previous year. Production of other edible vegetable and animal fats and oils is insignificant and the Philippines depend on imports for supply of these commodities.

8. Fish. Figures under this item are estimates, since no data on 1955 production are available. Of the total fish production of 343,000 metric tons, it is estimated that 206,000 tons were marketed fresh, 82,000 tons were dried, smoked, or cured, and 55,000 were salted. The tonnage of fish caught yearly remains fairly constant in the Philippines. Production, however, may increase because of a smaller domestic cattle slaughter. Decrease in cattle slaughter stimulates activities in the fishing industry.

FOREIGN TRADE.

Imports. With the exception of rice, the food import-export situation in 1955 has not changed extensively in degree or trend compared with 1954. The Government has authorized the importation of 150,000 metric tons of milled rice in 1955 to supplement local production on a direct purchase basis and by barter. Of this amount a total of 44,040 metric tons have been received for the first nine months of 1955. It is expected that a total of 80,000 tons will be received up to the end of the year.

Wheat flour and dairy products continued to be the two major food import commodities. Since the government decontrolled wheat flour imports in February, 1955, it is expected that 1955 imports will be larger than in 1954. Dairy products imports are also expected to be larger in 1955 than in 1954, since milk imports are exempted from the 17 percent tax on imports.

Exports. Sugar, canned pineapples, and dessicated coconut are the major food items exported. In 1954 the export quota to the United States of 952,000 short tons (863,650 metric tons) was filled and another 24,000 metric tons was exported to Japan. It is expected that the export quota to the United States and the free world quota of about 24,000 metric tons will be exported in 1955.

The 1955 estimated edible oil export of 500 metric tons will consist of refined coconut oil, shortening and margarine manufactured out of coconut oil. In 1955 at least 808,000 metric tons of copra and about 71,000 metric tons of crude coconut oil, or a total of about 564,000 metric tons in crude oil equivalent are expected to be exported. A significant quantity of refined coconut oil will be manufactured from these exports. Practically all dessicated coconut manufactured is exported, mostly to the United States.

On the basis of the January-August 1955 export data, the total canned pineapple exports in 1955 are expected to be 50,000 metric tons. Official statistics show a total of 35,024 metric tons exported in 1954 as compared with 81,272 tons in 1953. Between 1,200 to 1,500 metric tons of mangoes are exported annually to Hong Kong.

CONSUMPTION.

The per capita food consumption in the Philippines is estimated as follows for the past three years:

Commodity	1952-53	1953-54	1954-55
	---calories per day---		
Grains	1,324	1,322	1,328
Pulses	34	33	35
Roots and tubers	134	137	143
Sugar	118	153	147
Oilseeds	222	227	212
Oils and fats	79	77	80
Vegetables	17	20	16
Fruits	81	90	96
Meat	94	100	105
Fish	48	48	56
Milk	50	48	47
Eggs	9	10	10
Total	2,210	2,265	2,275

The estimated per capita daily oilseeds consumption for 1952-53 and 1953-54 has been reduced by 70 and 30 calories, respectively, to conform with revised estimates of coconut consumption. Similarly, the per capita daily consumption of sugar for 1953-54 has been reduced by 100 calories from previous estimates.

POLICY ON IMPORTS RELATING TO AGRICULTURAL PRODUCTS

Philippine imports of United States agricultural products were reduced in the last year as a result of restrictive and protectionist policies adopted by the Philippine Government. The outlook is for a continuance and probably an intensification of such policies which spring out of a strong urge to become self-sufficient in production of food and other agricultural products and to industrialize the economy as rapidly as possible. The drive to save foreign exchange for industrialization purposes has resulted in the curtailment of imports of "non-essential" agricultural products through the mechanism of exchange controls. Strong political pressure from tobacco growers has led to legislation which combines extremely high support prices for domestic tobacco, mandatory purchases by tobacco manufacturers, and quotas on imports. Pressure from producers likewise resulted in the passage of legislation prohibiting the importation of onions, potatoes, garlic and cabbage, except for seed purposes. The outlook is for more restrictive legislation of the types outlined above and for further implementation of policies aimed at increasing domestic production of agricultural products in the drive to attain self-sufficiency and expand exports.

Imports of United States agricultural products by the Philippines decreased 15 percent in 1954 from 1953. The United States continued to be the major supplier of agricultural products, but its share of the Philippine market fell from 74 percent of the total in 1953 to only 60 percent in 1954. This decline was largely due to two factors; first, controls on imports (particularly on tobacco under PL 694 as amended), and, second, to increased foreign competition which led to a sharp drop in imports of United States milk products and to a lesser extent, wheat flour. Imports in 1955 are expected to maintain about the same level as in 1954.

Exchange Controls. One of the greatest deterrents to trade in United States agricultural products in the Philippines is the import controls administered by the Central Bank. These controls are used to implement the government's policy of restricting imports to items it considers most essential. These include products that assist in the industrialization of the country, raw materials not produced in the Philippines and needed by an "essential" industry, and consumer goods of a "non-luxury" character. Exchange controls also are used to protect domestic producers by reducing allocations of foreign exchange for items which compete with those locally produced. The exchange controls have not been 100 percent effective in keeping out "non-essential" commodities. There have been substantial "No dollar imports", the dollars being obtained through sources other than the Central bank.

The Central Bank by virtue of its control over the country's currency credit, and the foreign exchange, and its status as a "bankers' bank" and the fiscal agent of the Government, is the greatest single factor influencing the conduct and direction of Philippine foreign trade.

Central Bank reserves fell from \$296 million as of January 1, 1954 to \$250 million on July 1, 1955. This decline has led to a continuing review of the classification of various commodities and more recently to an examination of "no-dollar" imports and the introduction of legislation into the special session of the Philippine Congress aimed at their elimination.

There also is under way a drive to reduce smuggling of banned items, overvaluation of imports, and undervaluation of exports.

Livestock and Meat Products. Since the banning of carabao slaughter early in 1954, shortage of meat was felt in the country and led to a sharp rise in meat and meat product imports in 1954. Live cattle and buffaloes for slaughter are classified as highly essential consumer commodities. Beef and veal, whether fresh, cured or canned, are only classified as essential consumer commodities by the Central Bank in allocating dollars for the payment of imports. As the importation of some livestock and meat has been relaxed, a total of 4,115 head of slaughter and breeding cattle was imported in 1954, as compared with 30 head in 1953. It is expected that an even larger number will be imported in 1955.

The larger portion of cattle imports is supplied by Australia because of lower prices and geographical closeness. The bulk of meat and meat products is supplied by Australia and Argentina. The United States supplies mostly meat spreads and sausages.

Dairy Products. Production of milk and milk products in the Philippines is so low that the country is almost entirely dependent upon imports. The importation of evaporated, condensed, powdered and dry skim and sterilized natural milk was decontrolled in February 1955. It is expected that total imports of milk in 1955 will be larger than the 69,262 metric tons imported in 1954. While the United States supplied 74 percent of the milk imports, it lost its condensed milk market to the Netherlands. Dutch condensed sweetened milk undersells United States in the retail and wholesale market by about 6 United States cents per pound.

Cereals. Wheat flour imports were decontrolled in February 1955 and it is expected that 1955 imports will increase over the 188,000 metric tons imported in 1954. Canada supplied 57 percent of the 1954 wheat flour imports and the United States, 43 percent.

In 1955 the Government has authorized the National Rice and Corn Corporation to import 150,000 metric tons of milled rice on a direct purchase basis and by barter. Actually imports are undertaken by private importers who offered the lowest price to supply NARIC. All milled rice imports received in 1955 came from Thailand and cost about \$104.10 per metric ton C & F Manila. This rice is of a poor class, with 50% or more broken.

Fruits and Vegetables. Import of all fruits and vegetables are either banned or are classified as non-essential commodity.

Fats and Oils. The importation of oilseeds and oil-bearing materials, which compete with locally produced items of the same kind when production is sufficient to supply local requirements, are banned. Peanuts and copra fall into this category. Although domestic production of soybeans is insignificant, the Central Bank will not supply dollar exchange for importation. The control is designed to encourage production. Soybeans have been imported under the no-dollar arrangement. This accounted for the decrease of imports

in 1954, and, as expected, in 1955. On July 1, 1955, the Government banned the importation of hydrogenated fats and oils due to the request of local oil refiners.

Fish. All fresh, dried, cured, or smoked fish were banned from importation on July 1, 1955. A small quantity of such kind of fish were imported in 1955, probably under the no-dollar imports. On the same date, imports of canned cuttlefish, salmon and sardine, including anchovies, were decontrolled. As a result the largest portion of Philippine fish imports in 1955 are expected to be canned. All other canned fish falls under the category of either non-essential or banned items.

Animal Feeds. Due to the stepped-up Government program of increasing the livestock and poultry population with the aim of making the country self-sufficient in meat and meat products, imports of animal feeds in 1954 showed a significant increase over 1953, and are expected to increase further in 1955. Imports of hay and fodder are banned, while bran and other cereal by-products, whey, and soybean cake and meal are classified as essential producer commodities.

Tobacco. Republic Act No. 1194 limits the importation of foreign tobacco into the Philippines to the quantity needed to make up for the deficiency in local production. The law also established a scale of support price for "Virginia" tobacco, which led to a startling increase in production during the last year, and a further increase is expected this year. This would mean a further cut in tobacco imports. Congressional sponsors of the law are of the opinion that the Philippines can become self-sufficient in Virginia tobacco. However, cigarette manufacturers and many other officials are convinced that substantial quantities of United States flue-cured tobacco will have to be imported because of the unsatisfactory flavor and aroma of Philippine-produced cigarette tobacco.

THE OUTLOOK

In recent years total agricultural production in the Philippines has been moving upward somewhat in advance of population growth. The per capita index of agricultural production stood at 104 of prewar in 1954-55 and is forecast at the same figure for 1955-56. The per capita index of food crop production stood at 111 of prewar in 1954-55, and this figure will probably be held for 1955-56. The only other country in the Far East with a more favorable production record is Thailand.

The Philippines may be expected to continue its advances in agricultural production over the next several years. There are pretty clear indications that the production of rice will be further increased until the country has become fully self-sufficient in this commodity. New programs are under way to increase the production of coffee, cocoa, and Virginia-type tobacco. Copra production has been increasing consistently over the past several years, and the same may be said for corn. The Government of the Philippines has in being comprehensive programs of agrarian reform, including the extension of farm credit and the provision of marketing facilities and services. All indications are that the Philippine farmers, on the whole, are doing better than they have for many decades and that they sense in recent government actions a real concern for their well-being.

Table 1. Supply and Distribution of Philippine Food Commodities, 1955

Commodity	Area Harvested:	Production: 1/	Stocks at Beginning	Imports 2/	Total Supply	Exports and Reexports 3/	Seed, feed, waste and industrial	Stocks at End	Consumed as Food
	1,000 acres				Metric Tons---				
Cereals									
Rice, milled 3/	6,562	2,082	22	80	2,184	0	146	44	1,994
Corn, shelled	2,933	770	148	0	918	0	108	114	696
Wheat flour	-	0	20	190	210	0	-	25	185
Other	insig.	insig.	-	1	1	0	-	-	1
Root crops									
Sweet potatoes	247	799	-	0	799	0	159	-	640
Irish potatoes	4	16	-	1	17	0	3	-	14
Cassava	95	352	-	0	352	0	106	-	246
Gabi	47	162	-	0	162	0	32	-	130
Others	20	42	-	0	42	0	8	-	34
Vegetables									
Cabbage	72	258	-	0	258	0	26	-	232
Mustard	4	3	-	0	3	0	insig.	-	3
Tomato	20	20	-	0	20	0	3	-	17
Eggplant	38	88	-	0	88	0	9	-	79
Other	139	176	-	16	192	0	17	-	175
Beans and peas									
Mung bean	92	12	-	1	13	0	1	-	12
Soybean	1	insig.	-	3	3	0	insig.	-	2
Other bean	39	24	-	3	27	0	1	-	26
Peas	39	22	-	1	23	0	1	-	22
Fruits and nuts									
Bananas	208	145	-	0	145	0	44	-	101
Mango	104	115	-	0	115	1	11	-	103
Pineapple	20	52	30	0	82	50	5	-	27
Citrus	49	61	-	4	65	0	6	-	59
Other fruits	390	345	-	8	353	0	35	-	318
Nuts	12	8	-	1	9	0	1	-	8

Table 1. Supply and Distribution of Philippine Food Commodities, 1955

Commodity	Area Harvested:	Production 1/	Stocks at Beginning	Imports 2/	Total Supply	Exports and Reexports	Seed, feed and waste industrial	Stocks at End	Consumed as Food
	1,000 acres					3/			
---1,000 Metric Tons---									
Sugar									
Centrifugal, raw value	531	1,244	77	insig.	1,321	832	-	270	217
Muscovado	-	50	-	0	50	6	-	-	44
Fats, oils and oilseeds (edible)									
Coconut oil 1/4	-	46	-	0	46	insig.	-	-	46
Desiccated coconut	-	48	-	0	48	48	-	-	insig.
Cocanuts, fresh 5/	2,446	160	-	0	160	insig.	16	-	144
Peanuts, shelled	70	18	-	0	18	4	2	-	12
Other veg. oil	-	insig.	-	1	1	0	-	-	1
Animal fats and oils	-	insig.	-	insig.	insig.	0	-	-	insig.
Fish 6/									
Fresh	-	206	-	insig.	206	insig.	10	-	196
Canned	-	insig.	-	25	25	0	1	-	24
Dried, cured, etc.	-	82	-	1	83	insig.	4	-	79
Wet salted	-	55	-	0	55	insig.	3	-	52
Meat 6/									
Beef and veal	-	19	-	7	26	0	1	-	25
Carabao	-	2	-	0	2	0	insig.	-	2
Pork	-	65	-	insig.	65	0	2	-	63
Horse	-	1	-	0	1	0	insig.	-	1
Goats and sheep	-	2	-	insig.	2	0	insig.	-	2
Poultry	-	45	-	insig.	45	0	2	-	43
All kinds (canned)	-	0	-	3	3	0	insig.	-	3
Eggs									
Hen	-	46	-	insig.	46	0	5	-	41
Duck	-	9	-	insig.	9	0	1	-	9
Other	-	insig.	-	insig.	insig.	0	insig.	-	insig.

Table 1. Supply and Distribution of Philippine Food Commodities, 1955

Commodity	Area : Harvested:	Production : 1/	Stocks : at : Beginning :	Imports : 2/	Total : Supply :	Exports:Seed,feed, : and :waste and : Reexports:industrial :	Stocks : at : End :	Consumed : as : Food :
	1,000					3/		
	acres							
Dairy Products								
Milk, all kinds	-	7/ 158	-	7/ 78	236	0	16	220
Butter	-	insig.	-	1	1	0	0	1
Cheese	-	insig.	-	1	1	0	0	1
Miscellaneous								
Coffee	47	7	-	2	9	0	insig.	9
Cocoa	16	2	-	1	3	0	insig.	3
Totals	14,246	7,817	297	429	8,543	941	785	6,364

1/ Preliminary estimate of production for the crop years July 1, 1954 and ending June 30, 1955.

2/ Estimated imports and exports for calendar year 1955.

3/ Rice milled at 65 percent of paddy.

4/ Edible coconut oil only. Includes butter and shortening manufactured out of coconut oil.

5/ Nuts for food only.

6/ Figures for 1954.

7/ Estimate considered inadequate. Production is fresh milk only. Trade is entirely condensed, evaporated and dry milk.

Table 2. Philippine Production of Commercial Crops, 1954-1955

	Area	Production	Area	Production Forecast
	1,000 Acres	1,000 Metric tons	1,000 Acres	1,000 Metric tons
Copra	1/	1,076	1/	1,130
Coconut oil	-	187 2/	-	195 2/
Tobacco	99	18	109	26
Abaca	590	100	536	110
Ramie	3	2	7	2
Cotton	2	insig.	6	insig.
Other fibers 3/	15	3	17	3
Copra cake & meal	-	81	-	85
Molasses	-	342	-	330
Total	709	1,622	675	1,686

1/Included in area under coconuts in Table 1.

2/Includes refined coconut oil and edible coconut oil products.
Not included in total. Includes coconut oil computed at a
61 percent extraction rate.

3/Majuey, buntal, canton, and kapok.

Table 3. Philippine Imports of Food Commodities, 1954

Items	:	From U. S.	:	From all countries
	:	(m.t.)	:	(m.t.)
<u>CEREALS</u>	:		:	
Rice, milled	:	4	:	42,629
Corn, shelled	:	15	:	16
Wheat flour	:	80,289	:	187,797
Other	:	92	:	166
<u>ROOT CROP</u>	:		:	
Irish potato	:	0	:	611
<u>VEGETABLES</u>	:		:	
Fresh	:	2,179	:	4,645
Canned	:	881	:	987
Dried	:	18	:	249
Misc. vegetable prep.	:	2,857	:	3,575
<u>BEANS & PEAS</u>	:		:	
Mung bean	:	0	:	51
Soybean	:	2,500	:	2,726
Other bean	:	961	:	1,193
Peas	:	989	:	1,218
<u>FRUITS & NUTS</u>	:		:	
Citrus	:	4,163	:	4,533
Fresh	:	3,582	:	5,374
Canned	:	1,015	:	1,159
Dried	:	814	:	1,069
Other fruit prep.	:	85	:	228
Nuts and prep.	:	54	:	572
<u>SUGAR</u>	:		:	
Centrifugal	:	insig.	:	insig.
Muscovado (native)	:	0	:	0
<u>DAIRY PRODUCTS</u>	:		:	
Butter	:	167	:	757
Cheese	:	30	:	1,479
Evaporated milk	:	47,791	:	52,844
Condensed milk	:	483	:	11,446
Powdered milk	:	2,262	:	2,592
Other milk	:	572	:	2,380
<u>FATS & OILS, edible</u>	:		:	
Cottonseed oil	:	314	:	333
Salad dressing	:	283	:	283
Other vegetable oil	:	34	:	81
Animal fat & oil	:	86	:	87
<u>FISH</u>	:		:	
Fresh	:	0	:	4
Canned	:	12,807	:	22,574
Dried & cured	:	0	:	664

Table 3. Philippine Imports of Food Commodities, 1954 - cont'd.

Items	:	From U. S.	:	From all countries
	:	(m.t.)	:	(m.t.)
<u>MEAT</u>	:		:	
Beef & veal	:	1,020	:	6,572
Pork	:	14	:	117
Mutton & lamb	:	1	:	30
Poultry	:	0	:	12
Other meat & prep.	:	4,261	:	4,601
<u>EGGS</u>	:		:	
All kinds	:	insig.	:	insig.
<u>MISC. CROP</u>	:		:	
Coffee	:	103	:	1,650
Cocoa	:	930	:	1,833
Tea	:	13	:	173
Totals	:	171,669	:	369,310

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FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D. C.

★ MAR 27 1955

U. S. DEPARTMENT OF AGRICULTURE

FATP 47-55

December 20, 1955

COMPETITIVE ASPECTS OF BURMESE AGRICULTURE

In Burma, diversification of agricultural production, insofar as resources will permit, is taking the form of new programs in jute, coconuts, onions, coffee, and tobacco. Rice, the dominating commodity of Burmese agriculture, is no longer facing a program of expansion but rather one of improvement in quality and marketing procedure. Because of low quality rice, Burma has given little competition to United States rice trade in the past; however, the success of the new program may offer some rivalry in the future, particularly on Asian markets. Agricultural production, now at 85 percent of prewar, reached a postwar peak in 1948-49, declined the year following, but has since been improving gradually.

Greatest strides in the diversification scheme have been made in cotton and tobacco production, each of which are 11 percent ahead of prewar. Sugarcane acreage has raced 41 percent ahead of prewar with production up just 9 percent. Sesame acreage equals prewar but production of sesame seed, along with all of the other major crops, still lags behind. Though the sown acreage of both the early and late crops of sesame increased in 1954-55 over the previous year, drought and uneven rainfall reduced the matured area, and consequently production dropped 17 percent over the same period.

Export availabilities of rice are not expected to increase over the average of recent years for the next several years. Due to the decline in the world price for rice, the Government has given up for the present its program of increasing the rice acreage to the prewar level of about 12.5 million acres and is concentrating on holding rice acreage at 10 million acres, despite the fact that some 2.5 million acres of paddy land are lying idle. Emphasis is being placed on improvement in quality in order to make this commodity more competitive on world markets. To improve the quality of rice seed select grades of paddy have been sown in state agricultural gardens under direct supervision of the Agriculture Department. Improvement in quality of Burmese rice could increase the competition which United States rice faces in supplying Japan's need for high quality imported rice.

Beans and pulses, second to rice in agricultural exports, offer great possibilities as earners of foreign exchange, and emphasis is being placed on selected varieties for which markets are available, and quality, equal to world standards, is to be obtained to bring better and more secure markets. The change in the direction of export trade from India, which took 78 percent in prewar years, to Japan which has taken half of the total value in postwar years, has been accompanied by a change in type and quality of the export production. Other Asian markets are also open for these products but pulse production, at a postwar peak in 1954-55, needs improved cultivation techniques that will reduce costs and increase productivity.

Planting of peanuts is being encouraged after paddy harvesting by timely distribution of seed and to increase yield by providing mechanized ploughing. Government assistance is being given in the form of intensive programs for increased acreage subsidies, loans, and technical guidance, but poor rains at sowing time decreased acreage of peanuts in 1954-55 and a further reduction on the matured acreage, caused by drought and unfavorable rains, resulted in a 20 percent decline in production.

Self-sufficiency in cotton textiles is a primary objective of the Burmese Government. Aimed at increasing the capacity to produce cotton textiles, emphasis on sufficient improved quality raw material is taking the form of improved cottonseed supplied by the Government seed garden at Thapan, which this coming year will be extended to provide sufficient long and medium staple seed. Sown acreage of cotton increased in 1954-55 over the previous year, but drought reduced the matured acreage. Total cotton production increased slightly but the production of medium staple increased from 4,700 bales in 1953-54 to 13,000 bales in 1954-55 as a result of the program. Burma has been a very minor market for United States cotton. Plans are under way to erect new mills and spinning will begin in the coming year.

The postwar peak in sugarcane acreage, reached in 1953-54 was topped in 1954-55 when production rose 12,000 metric tons above the previous year. Though acreage far exceeds prewar, white sugar production lags behind. The Zeyawaddy factory is the only one in operation; however, with the completion of two new factories by the end of 1956, production of white sugar is expected to well exceed the prewar level.

Efforts are being made to eliminate the importing of tobacco by increasing the production of Virginia flue-cured leaf. The five-year Virginia tobacco plantation scheme, now in its second year, has been able to supply 10 percent of the domestic need and may be in a position to meet most of the country's requirements by 1956. The shortage of curing barns, allegedly the chief deterrent to increased production, is to be overcome by government loans which have been made for the building of 100 new curing barns.

In the past year great progress has been made in production of jute. Cooperative farming, extensive fertilization, and use of tractors to permit early ploughing have increased the outturn from 541 metric tons of fiber and 3,660 baskets of seed in 1953-54 to 6,096 metric tons of fiber and 5,000 baskets of seed in 1954-55. Acreage rose from 8,963 acres to 31,700 acres and is expected to double in 1955-56. With the completion of the jute mill at Insein by the close of 1956, approximately 24 million gunny bags will be produced annually from 1957 onwards, enabling the country to save 30 million kyats per year in foreign exchange.

With the opening this year of eighteen coconut gardens, comprising 8,000 acres, self-sufficiency in coconuts is under way. Rehabilitation of 20 coconut plantations have been made, jungles have been cleared for expanded acreage, and plantations begun last year have been cleared of weeds, pathways made between rows, soil dug and loosened, and drains made.

Production of corn, rubber, millet, wheat and chillies has increased in 1954-55 over 1953-54. Programs for increased production of onions and betelnuts are under way and the Forestry Department is investigating the feasibility of growing coffee and rubber. Onion production has almost equaled local consumption. Twenty thousand betel plants are ready for transplanting and 6,500 have already been transplanted. Eight students, selected by the Agriculture and Rural Development Corporation, are in Indonesia studying techniques of coffee and tea growing, and on their return cultivation is planned in the Hong Tan areas along systematic and modern lines.

Four dairy farms have been established; one near Rangoon where 90 imported Pakistani cows were recently producing 900 pounds of milk daily for the hospitals in Rangoon. The number of plough cattle continued to increase and is now estimated about 94 percent of prewar. Though sown acreage is only 86 percent of prewar, and there is an adequate supply of cattle for cultivation, the ban on cattle slaughter continues.

Further improvements in internal security conditions and the several agricultural programs of the government are likely to give rise to increases in agricultural production in Burma over the next several years to prewar per capita levels. This, however, is likely to take several years even under favorable security conditions.

BURMA: Acreage sown of principal agricultural products and their percentage of prewar.

Commodity	1936-37	1952-53		1953-54		1954-55	
	to	Acreage	% of	Acreage	% of	Acreage	% of
	1940-41		prewar		prewar		prewar
	<u>1,000</u> <u>acres</u>	<u>1,000</u> <u>acres</u>	<u>%</u>	<u>1,000</u> <u>acres</u>	<u>%</u>	<u>1,000</u> <u>acres</u>	<u>%</u>
Paddy	12,832	10,331	81	10,398	81	10,161	80
Peanuts	808	744	92	821	102	779	96
Sesame	1,401	1,328	95	1,352	97	1,402	100
Cotton	453	344	76	354	78	370	82
Pulses	1,329	1,060	80	1,113	84	1,180	89
Sugarcane	64	65	102	88	137	90	141
Millet	475	598	126	568	120	600	126
All other crops	1,805	1,843	102	1,810	100	1,833	102
Total	19,167	16,313	85	16,504	86	16,415	86

BURMA: Production of principal agricultural products and their percentage of prewar.

Commodity	1936-37	1952-53		1953-54		1954-55	
	to	Pro-	% of	Pro-	% of	Pro-	% of
	1940-41	duction	Prewar	duction	Prewar	duction	Prewar
	<u>1,000</u> <u>metric</u> <u>tons</u>	<u>1,000</u> <u>metric</u> <u>tons</u>	<u>%</u>	<u>1,000</u> <u>metric</u> <u>tons</u>	<u>%</u>	<u>1,000</u> <u>metric</u> <u>tons</u>	<u>%</u>
Paddy	7,545	5,832	77	5,616	74	5,804	77
Peanuts	184	179	92	194	106	156	85
Sesame	46	55	120	45	98	37	80
Cotton	20	22	105	22	107	23	111
Pulses	254	195	77	204	80	209	82
Sugarcane	1,118	1,076	96	1,156	103	1,168	105
Millet and wheat	79	86	109	79	100	84	109
Tobacco	45	44	98	49	109	50	111



FOREIGN AGRICULTURE CIRCULAR

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D. C.

FATP 48-55

December 20, 1955

U. S. DEPT. OF AGRICULTURE

Soviet Satellites Plan to Expand Corn Cultivation */

In line with their customary policy of emulating Soviet Russian institutions and practices, all European Satellites are establishing programs for increased corn production. After the Soviet Union announced that the area under corn by 1960 is planned to be eight times larger than in 1953, the Communist parties of the satellites dutifully adopted similar programs. Each of them postulates expansion in the area and yield of corn. In some cases these planned increases reach staggering proportions.

The importance of corn growing varies greatly among the countries of Eastern Europe. The countries situated in the Danube Basin (Rumania, Bulgaria and Hungary) have long been important European corn producers. Before World War II, they accounted together for almost half of Europe's corn output. Corn is the most important grain in Rumania and of great importance in Bulgaria and Hungary. In Rumania and small parts of Bulgaria it is a staple food. The communist countries situated to the north of the Danube Basin (Czechoslovakia, Eastern Germany and Poland) grew very little corn prior to World War II, mainly because climatic conditions were believed to be unfavorable to corn growing. They were net importers of corn, in contrast to the southern countries which as a group were net exporters.

Since the end of World War II, the development of corn growing has been uneven throughout the area. Both acreage and production of corn appear to have greatly declined in Rumania, and to a lesser extent in Bulgaria, whereas in Hungary the acreage, though not production, seems again to have reached prewar levels. In the northern countries, on the other hand, the cultivation of corn seems to have expanded. By 1955, the area under corn in Czechoslovakia is estimated to have increased by almost 40 percent and production by about 85 percent, in comparison to prewar. In Poland, the area under corn has probably increased sevenfold from a small acreage, and in Eastern Germany also a considerable increase has occurred. Nevertheless, the relative importance of corn in all these countries has changed little. In the southern countries it is still the most important or second most important grain crop. In the northern countries, it continues to occupy only a marginal position among the grains.

*/ Prepared in the European Analysis Branch, FAS.

The programs for expanded corn production have not been spelled out in great detail. As far as is known, they appear to be as follows in the southern countries:

Rumania: It is planned to increase the area under corn to 8,400,000 acres by 1956. This target, if attained, would leave the corn acreage in 1956 still about 15 percent below the 1933/37 average within the present boundaries. However, production is planned to be at least equal to, and possibly much higher than the prewar level, as may be concluded from the very ambiguous data released in connection with the new program. The increase in yields which this program presupposes is to be aided by the introduction and popularization of hybrid corn, with which no less than two million acres are to be seeded by 1956 or 1957.

Hungary: There appears to be no intention of greatly enlarging the acreage beyond its present extent. The socialist sector (state farms and collectives) is to increase its corn acreage 40 percent above the present level by 1956, but this sector today reportedly accounts for only about 30 percent of the tillable land. Average yields on a country-wide scale are to be greatly increased. In prewar years, average yields amounted to around 30 bushels per acre.

Bulgaria: The fragmentary information available from this country makes it appear that the main emphasis is to be laid on increased yields. The extent to which the area is to be increased is unknown, yet the acreage goal does not appear to be much in excess of the prewar corn acreage.

In the northern countries the rate of increase in the corn acreage is to be much higher than in the south, but not all of the increased corn output is to be corn for grain; a large part is to be used for silage or cut as green fodder. Available information indicates the following programs for these countries:

Czechoslovakia: The area under corn is to be more than doubled between 1955 and 1960. No precise data have been published as to the yields aimed at for the target date. If the area goal should be attained, corn would still occupy only about seven percent of the present area under crops. Corn for grain would remain the least important among the coarse grains.

Poland: The area under corn by 1960 is to be expanded 10 times over 1955, that is to 2½ million acres. State farms alone, which in 1955 had 84,000 acres under corn, are to enlarge their area in corn to 500,000 - 600,000 acres by 1960. Average yields per acre are to reach 32-40 bushels of grain or grain equivalent.

Eastern Germany: The program calls for the area under corn to rise from the planned 350,000 acres in 1955 to 500,000 acres in 1956 (150,000 of which are to be for grain). Around 1960 the total area is to reach 850,000 acres.

There is no doubt about the need of all these countries to increase feed supplies and thereby the output of livestock products which are notoriously in short supply throughout the area. Yet the costs in resources and efforts as well as the practicability of these programs are fundamentally different in the north and in the south.

In the southern countries the great tradition of corn growing and particularly the fact that the acreage goals are not, or are only slightly, in excess of the area planted to corn in the past make it clear that there are no natural or technical obstacles to such an expansion of production. One may, however, question the wisdom of further expanding the area under corn instead of relying exclusively on efforts to increase yields. This is especially true for Rumania where corn covered 40 percent of the country's arable land before the war. The predominance of corn among the grains and the preponderance of grain in general did not make for a rational crop rotation system. The decline in area after the war partly remedied this state of affairs and brought about a more varied crop rotation. This trend will now be reversed, as the program seems to require, if the corn acreage is to be enlarged at the expense of other crops, particularly industrial crops and vegetables. In Bulgaria and Hungary the small extent to which the corn area is apparently to be increased would be of lesser consequence for the rotation system.

The desirability of higher livestock output and hence larger fodder supplies is even greater in the northern than in the southern countries due to the much stronger pressure of urban demand. But the probability of achieving any appreciable increase in feed supplies through increased corn production in these countries is very much open to question.

Although climatic conditions in the northern countries do not make them unsuitable for corn growing, they are a limiting factor since they have a bearing on yields and on the form of utilization of corn. Where temperatures are not high enough for sustained periods, the corn will not ripen for grain, but will best be cut for green fodder and silage.

It appears that in Czechoslovakia, which is the southernmost of these three countries, climatic conditions are relatively the most favorable for growing corn for grain, and that the proportion of total corn so grown will be much lower in Eastern Germany and Poland, where a much larger percentage of the expanded corn area will have to be devoted to corn for silage and corn for green fodder.

The expansion of the area under corn can come about either by increasing the present area under crops which in all three countries has declined since prewar times, or by substituting corn for other crops. Continued shortage of agricultural manpower will make it impracticable to rely exclusively on expansion of total acreage by returning fallow land to cultivation.

The comparative advantage of corn growing will therefore largely depend on whether the feed value per hectare of corn obtained in its various forms will exceed that of the crops which it is to replace. The assumption that it will is the primary basis on which the programs in the northern countries rest.

However, the cultivation of oats and barley, in addition to fodder beets the main arable feed crops for which corn is partly to be substituted, require less labor than does corn. Hence, more labor-saving devices will have to be introduced, if the present labor force is to cope with the new

tasks. Moreover, a diminution of the area under oats without a proportional increase in yields would lead to a reduction in the horse population which still represents, in each of these countries, the most important source of draft power. More mechanization would therefore be necessary, not only on account of the comparatively higher labor requirements of corn growing (and in particular corn for silage), but also because of the reduction in animal draft power. In addition, it will be necessary to devote considerable investments to the creation of facilities for ensilage which are so far totally inadequate. And, last but not least, it will be imperative to convince the peasants of the merits of the new crop, a task which is probably the most difficult to solve in the implementation of the new corn program.

These are some of the conditions which will have to be met if the corn programs are to succeed. They are not impossible of fulfillment, but in view of the other ambitious agricultural programs which are simultaneously under way and which also require large investments in machinery and materials, it remains to be seen whether the corn programs in the northern countries will actually be carried out to the extent now contemplated. In the southern countries a positive outcome of these programs is more likely and might even lead to larger corn exports from that area.